



Miami-Dade County Public Schools

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Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

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Raquel A. Regalado

September 8, 2014

The Honorable Chair and Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee (ABAC)
Mr. Alberto M. Carvalho, Superintendent of Schools

SUBJECT: FOLLOW-UP ON ABAC MEETING OF MAY 13, 2014, AGENDA ITEM 9.A. – TRANSFERS OF 7.4 MILLION BY MATER ACADEMY SCHOOLS ARE NOT TRANSPARENT – MATER ACADEMY, INC. IS NOT PROVIDING REQUIRED FINANCIAL DOCUMENTS

Ladies and Gentlemen:

At the May 13, 2014, ABAC meeting, we presented to you the June 30, 2013, certified financial statements of four Mater Academy charter schools, and identified \$7.4 million in transfers from those schools that were categorized as long-term, non-interest advances to Mater Academy, Inc. (Corporate Account) on June 30, 2013, as follows:

Sponsored Charter School	Amount of Transfer to Corporate Account
Mater Academy	\$4,105,000
Mater Academy Charter Middle School	\$1,300,000
Mater Academy Charter High School	\$1,000,000
Mater Performing Arts & Entertainment Academy	\$1,000,000
Total	\$7,405,000

Also, additional transfers of public funds totaling \$166,586 were made by Mater Academy to other entities under or affiliated with Mater Academy, Inc., including Mater Academy Foundation, Inc., Mater Virtual Academy and Mater SES.

FOLLOW-UP ON ABAC MEETING OF MAY 13, 2014, AGENDA ITEM 9.A. – TRANSFERS OF 7.4 MILLION BY MATER ACADEMY SCHOOLS

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We indicated in our letter dated May 7, 2014, that we had requested Mater Academy, Inc. provide us its audited financial statements for the years ended June 30, 2012, and 2013, and its disbursements register for the period January 1, 2012, through March 20, 2014. We further indicated that Mater Academy, Inc. refused to provide us the requested financial information, despite the School Board Attorney's Office opinion that we were legally entitled to receive these requested items. We concluded in our letter that: "Without access to the requested financial information, we are unable to provide the School Board or ABAC any level of assurance or review attendant to the propriety of the \$7.4 million expenditures of public funds by four Mater Academy schools."

Also, at the May 13, 2014, ABAC meeting, Mater Academy, Inc.'s attorney addressed the Committee and pledged to work with the Chief Auditor to provide sufficient information to satisfy his concerns.

On May 27, 2014, Mater Academy, Inc.'s attorney and a representative of its external auditing firm met with me and members of my staff and provided the following on that date and by email on June 3, 2014:

1. A memorandum dated May 19, 2014, from Mater Academy, Inc.'s external auditors, HLB Gravier, LLP, to the Mater Board outlining agreed-upon procedures performed with respect to approximately \$7.4 million of funds transferred from four Mater Academy charter schools to the Mater Corporate account.
2. Closing statement for property purchased by Mater Academy, Inc. in the amount of \$1.2 million.
3. Closing statement for property purchased by Mater Academy, Inc. in the amount of \$4.8 million.

We reviewed the new items submitted and, in the attached letter dated July 1, 2014, explained to Mater Academy, Inc. and its attorney the reasons that we were still not able to provide assurance as to the propriety of the \$7.4 million expenditures. We asked that Mater Academy, Inc. reconsider our original and previous requests to provide us the audited financial statements and disbursements registers of Mater Academy, Inc.

On September 3, 2014, we received an e-mail from Mater Academy, Inc.'s attorney stating in part, "Mater has not been able to complete its response to your letter of July 1, 2014, due to the summer travel schedules of its auditors and officers and due to the preparation of Mater's certified financial statements for 2013-2014."

In conclusion, we are reiterating to the School Board, ABAC and Superintendent that without access to the requested financial information, we are unable to provide the School Board or ABAC any level of assurance or review attendant to the propriety of the \$7.4 million expenditures of public funds by four Mater Academy schools.

FOLLOW-UP ON ABAC MEETING OF MAY 13, 2014, AGENDA ITEM 9.A. – TRANSFERS OF 7.4
MILLION BY MATER ACADEMY SCHOOLS

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Absent the basic transparency of the use of public funds, there is a markedly increased risk that such public K-12 funds may have been or will be used for purposes other than those intended.

Please also note that Mater Academy, Inc. has recently submitted applications to open several new charter schools in Miami-Dade County, and they are scheduled to be reviewed and voted on by the District's Charter School Application Review Committee at its September 22, 2014, meeting.

Sincerely,



José F. Montes de Oca, CPA
Chief Auditor

JFM:em

L014

Attachment

cc: Mr. Walter J. Harvey
Mr. Jose L. Dotres
Mrs. Valtena G. Brown
Ms. Judith M. Marte
Ms. Iraida R. Mendez-Cartaya
Ms. Tiffanie A. Pauline
Ms. Melinda McNichols
Mr. Julio C. Miranda
Mr. Jon Goodman
Mr. Joseph L. Raia (attorney for Mater Academy, Inc.)



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Dr. Marta Pérez
Raquel A. Regalado

DELIVERY VIA ELECTRONIC MAIL

July 1, 2014

Mr. Joseph L. Raia
Gunster Law Firm
jraia@gunster.com

RE: TRANSFERS/ADVANCES OF \$7.4 MILLION BY FOUR MATER ACADEMY SCHOOLS TO MATER ACADEMY, INC. (CORPORATE ACCOUNT)

Dear Mr. Raia:

Thank you for the items submitted at our meeting of May 27, 2014, and by email on June 3, 2014. Those items comprised:

1. A memorandum dated May 19, 2014, from Mater Academy, Inc.'s external auditors, HLB Gravier, LLP, to the Mater Board outlining agreed-upon procedures performed with respect to approximately \$7.4 million of funds transferred from four Mater Academy charter schools to the Mater Corporate account.
2. Closing statement for property purchased by Mater Academy, Inc. in the amount of \$1.2 million.
3. Closing statement for property purchased by Mater Academy, Inc. in the amount of \$4.8 million.

We have reviewed the items submitted and appreciate the efforts on your client's part to cooperate with our request and accommodate our responsibility to review the said charter schools' use of funds. However, please understand that, based on what you have provided to us, we continue to be unable to provide the School Board or ABAC any level of assurance as to the propriety of expenditure of the \$7.4 million transfers of public funds by the four Mater Academy schools.

The transparency and propriety of these advances are not evident for the following reasons:

- The agreed-upon procedures performed by Mater Academy, Inc.'s CPA firm are very minimal. Deeply qualifying language is found throughout the memorandum such as "based on the information provided by management." Other qualifications include: "...we make no representation regarding the sufficiency of the procedures described above either for the purpose of which this report has been requested or for any other purpose" and "...we have not performed a financial statement audit, the objective of which would be the expression of an opinion on Mater Academy Inc.'s financial statements or specified element, accounts, or items thereof."

TRANSFERS/ADVANCES OF \$7.4 MILLION BY FOUR MATER ACADEMY SCHOOLS TO MATER ACADEMY, INC. (CORPORATE ACCOUNT

July 1, 2014

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- Exhibit A of the agreed-upon procedures memorandum only goes through June 30, 2013, even though the analysis was performed in May 2014. Although the schedule shows approximately \$6 million of real estate purchased (and you provided us with closing statements), \$800,000 of the \$7.4 million is shown as "excess of sources over uses" as of June 30, 2013. The analysis does not provide the use of those funds from July 1, 2013 through May 2014.
- Without access to the previously requested Mater Academy, Inc. (corporate) audited financial statements and disbursements registers, we are unable to reconcile or confirm that the \$7.4 million transferred by the schools to Mater Academy, Inc. is the same as those expended by the Corporation. In addition to the \$7.4 million Mater Academy, Inc. received in transfers/advances, the Corporate Account also receives fees from the schools for other services (e.g. shared corporate costs and accreditation expenses).

As such, we ask that you and your client reconsider our original and previous requests to provide us the audited financial statements and disbursements registers of Mater Academy, Inc. Please also remember that the School Board Attorney has provided us a legal opinion stating that we are entitled to the said items as the sponsoring School Board's auditors. Also, the charter contract is executed between the School Board of Miami-Dade County and the Governing Board of the legal entity, Mater Academy, Inc. Thank you for your consideration in this matter, and feel free to contact me via telephone or email.

Sincerely,



José F. Montes de Oca, CPA
Chief Auditor

JFM:em
L001

cc: Mr. Walter J. Harvey
Mrs. Valtena G. Brown
Ms. Judith M. Marte
Ms. Iraida R. Mendez-Cartaya
Ms. Tiffanie A. Pauline
Ms. Melinda McNichols
Mr. Julio C. Miranda
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