

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
June 25, 2013**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, June 25, 2013, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Jeffrey B. Shapiro, Esq., Chair
Ms. Susan Marie Kairalla
Mr. Rayfield McGhee, Jr., Esq.
Mr. Benjamin Moscovicz, CFP®
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA
Mr. Frederick F. Thornburg, Esq.
Ms. Teri Weinstein (Trivizas)

Members Absent:

Dr. Lawrence S. Feldman, School Board Member
Mr. Roland Sanchez-Medina, Jr., Esq., Vice Chair
Mr. Mayowa Odusanya, Esq.

Non-Voting:

Dr. Richard H. Hinds, Associate Superintendent/Chief Financial Officer

Call to Order

The ABAC Chair Mr. Jeffrey Shapiro called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

Mr. Shapiro requested everyone in attendance to introduce themselves, which they did. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Wilbert T. Holloway, School Board Member	Mr. Trevor L. Williams, Asst. Chief, District Audits
Ms. Raquel Regalado, School Board Member	Ms. Mindy McNichols, Asst. SB Attorney
Dr. Daniel Tosado, Chief of Staff	Mr. Scott B. Clark, Risk/Benefits Officer
Mr. Walter J. Harvey, Esq., School Board Attorney	Mr. Terrance Ferguson, Administrative Director
Mr. José F. Montes de Oca, Chief Auditor	Ms. Marta Montaner, Administrative Director
Mrs. Valtena G. Brown, Chief Operating Officer	Mr. Arnold Montgomery, Administrative Director
Ms. Enid Weisman, Chief Human Capital Officer	Dr. Ana M. Rasco, Administrative Director
Ms. Connie Pou, Controller	Ms. Linda Amica Roberts, Administrative Director
Ms. Deborah Karcher, Chief Information Officer	Ms. Magda Pereira, Principal, Southwood Mid. School
Mr. John Schuster, Chief Communications Officer	Ms. Nicki Brisson, Executive Director
Mr. Ian Moffett, Chief, School Police	Mr. Jon Goodman, Executive Director
Mr. Gerald Kitchell, Deputy Chief, School Police	Mr. Eric Ojeda, Executive Director
Ms. Tiffanie Pauline, Assistant Superintendent	Ms. Odalis Garces, District Director

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Mr. James O'Donnell, CISO
Mr. Tom Knigge, OIG, Supervisor Special Agent
Mr. Evelio Rodriguez, Major
Mr. Luis Baluja, Supervisor
Ms. Raquel Alexander, Administrative Assistant
Mr. Jerold Blumstein, Administrative Assistant
Ms. Erzsebet Horvath, Administrative Assistant
Ms. Ana Lara, Administrative Assistant
Ms. Carmen Naumann, Administrative Assistant
Ms. Bertha Valcarcel, Administrative Assistant
Ms. Corina Betancourt, Community Liaison
Ms. Maria Vezga, Intern

Ms. Elsa Berrios-Montijo, Administrative Assistant
Ms. Lucila I. Gonzalez, Administrative Assistant
Mr. Rolando Gonzalez, Property Auditor
Mr. Hugo Garcia, Property Auditor
Mr. Carl Haun, Property Auditor
Mr. Jorge Lopez, Property Auditor
Mr. Carlos Perez, Property Auditor
Ms. Lawandra Houston, District Secretary
Ms. Valerie Colimon, Supervisor, McGladrey LLP
Mr. Joseph Flambert, Intern
Mr. Dan Ricker, Publisher and Editor

There was a moment of reflection.

Mr. Montes de Oca recognized Ms. Magda Pereira, Principal at Southwood Middle School, and explained that Ms. Pereira is a member of the Superintendent's leadership program and as part of her internship she is shadowing his office.

Ms. Pereira shared with the committee her internship program and explained that in conjunction with the leadership of Mr. Montes de Oca, she will be developing a resource guide to empower educational leaders at the school sites with a tool to monitor the treasurers' performance on an array of financial and compliance issues. The goal of this program, she concluded, is to enhance the principals' supervision of financial operations and thereby decrease the number of audit exceptions.

Mr. Montes de Oca requested to move up items 8 and 9.

The agenda items were discussed in the following order: 1,2,8,9,3,4,5,6a,6b,7,10,11.

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 14, 2013

The Chair then drew the members' attention to the minutes for the ABAC meeting of May 14, 2013, and asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes.

There being none, a motion was duly made by Mr. Salver and seconded by Ms. Weinstein to approve the minutes, as presented, to serve as the memorialization of the May 14, 2013, Audit and Budget Advisory Committee (ABAC or Committee) meeting. The motion carried unanimously.

3. Proposed Audit and Budget Advisory Committee Meeting Dates for Fiscal Year 2013-2014

A motion was made by Mr. Salver and seconded by Mr. Thornburg to approve the schedule of dates for the ABAC meetings for Fiscal Year 2013-14.

4. Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2012 and Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2012

Mr. Montes de Oca introduced the above-mentioned surveys and noted that all the respondents were very pleased with all the services rendered by the external auditors. He then pointed out that on the external auditor survey item 6 where it asks, "Did the auditor communicate issues freely with the ABAC, without appearing protective of management?" an evaluator responded NO. Mr. Montes de Oca explained that he reached out to that evaluator and the evaluator communicated that it was a misinterpretation of that criterion and the answer should have been YES. Mr. Montes de Oca explained that due to time constraints he could not re-tabulate the results.

Mr. Salver again expressed concern, as he had in the past, with the fact that the surveys are still being tabulated by the Chief Auditor's office and has suggested that another department should oversee these tabulations.

Mr. Montes de Oca explained that he believed he had addressed Mr. Salver's concern by having the School Board Attorney review the tabulations.

Dr. Hinds offered that the Office of Program Evaluation, Assessment, Research and Data Analysis, which evaluates many programs, be the department to do these tabulations.

Mr. Harvey reminded the Committee that the evaluations become public record when they are transmitted and anyone can request to view them and ascertain their accuracy.

After some more discussion Mr. Shapiro suggested that Dr. Hinds and Mr. Montes de Oca address Mr. Salver's concern and report back to the Committee in September.

There was no further discussion. This report was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

5. Office of Management and Compliance Audits Proposed 2013-2014 Audit Plan and Tentative Budget

Mr. Montes de Oca presented the 2013-2014 Annual Report, and pointed out that the report includes the Annual Audit Plan, Budget, and staffing levels from the Office of Management and Compliance Audits (OMCA). Mr. Montes de Oca then entertained questions.

Mr. Thornburg expressed concern with the possible lack of staff in OMCA and believes that large audits may not be performed due to the limited resources.

Ms. Perla Tabares Hantman, School Board Chair, clarified that the Board had approved two positions for OMCA.

Mr. Montes de Oca referred to the cover letter of his report where it states that in May 2013, the Superintendent recommended and the School Board approved the establishment of an Audit Director (Capital Construction) position, which they plan to fill during the summer. This position he promised out will be solely dedicated to working on issues related to the 21st Century General Obligation Bond program. Also, in April 2013, another position was funded, which will be solely dedicated to audits of charter schools operations.

Ms. Hantman observed that the School Board has always been attentive to the needs of OMCA because of the importance of that office. She also stated that she has repeatedly inquired from Mr. Montes de Oca in the past if OMCA is properly staffed. Ms. Hantman understands that if audits cannot be completed, as Mr. Thornburg stated, she is sensitive to this issue and offered to assist in conveying this concern to the School Board's attention.

Mr. Salver suggested having the external auditors review the staffing levels of the internal audit department and provide a short report on the adequacy of these levels to be able to conduct all the audits set forth in the Annual Plan.

Members inquired if there will be an additional fee to conduct this review.

Ms. Regalado commented that she respects Mr. Montes de Oca's ability to manage his office and believes that he will advise the Board if there was an imperative need for more staff. Ms. Regalado also noted that nothing has transpired to have Mr. Montes de Oca's authority taken away and have an outside auditor determine the appropriate level of staff and then charge a fee for doing so. Ms. Regalado said that she would rather spend the money in hiring another auditor for the office. Ms. Regalado strongly feels that Mr. Montes de Oca's understanding of his office should be respected because he runs his office very well.

Mr. Montes de Oca thanked Ms. Regalado for her comments and observed that the school system has gone through tremendously difficult financial times and there has been a very large reduction in administrative staff. He explained that he helped the District navigate through those difficult times by reducing his staff and not filling open positions. Mr. Montes de Oca informed the audience that now that the financial situation has improved he received two positions for his office and thanked Ms. Hantman for her support. Addressing a comment made on whether one auditor was enough to audit the program and expenditures for the \$1.2 billion Bond issue, he reminded the audience that he was promised more than one position; however, the program is just getting started and it was not prudent to have several auditors on board. In addition, the money has not been received yet. He mentioned for the record that the position was advertised on that day.

Responding to Ms. Regalado's comments, Mr. Salver said that he was sure that the external auditors will do their best to charge a reasonable amount for this task knowing that the District is on a shoestring budget. He indicated that his comments regarding direction from the external audit firm in no way reflects on the excellent job Mr. Montes de Oca is doing for the District. Mr. Salver restated his suggestion on the review of the staffing level for the Internal Audit Department.

Ms. Regalado reminded Mr. Salver that the School Board members welcome recommendations made by the Committee members, but the final decisions rest with the Board. She also recognized that several School Board members were in the audience and that anyone of them could bring forth an agenda item to commission the external auditors in the suggested review.

After some more discussion, a motion was made by Mr. Salver, seconded by Mr. Thornburg which carried unanimously, to recommend McGladrey LLP to provide a short report, or white paper, on the adequacy of the staffing in the Internal Audit Department to perform the task as set forth and enumerated in the OMCA Annual Plan.

This report was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

EXTERNAL AUDITS:

6. (a) Recognition of Ms. Connie Pou, Controller, for receiving the Certificate of Achievement for Excellence in Financial Reporting for the 2012 Fiscal Year for the 28th Consecutive Year

Mr. Montes de Oca was delighted to recognize Ms. Pou for receiving the Certificate of Achievement for Excellence in Financial Reporting for the 2012 Fiscal Year, from the Government Finance Officers Association, for the 28th consecutive year.

Ms. Pou thanked Dr. Hinds for his leadership and recognized her staff, many of whom were present, and stated that this award would not been possible without their hard work, dedication and talent.

(b) Recognition of Ms. Deborah Karcher, Chief Information Officer, for receiving the Distinguished Service Award from The Council of the Great City Schools and Houghton Mifflin Harcourt

Mr. Montes de Oca was also pleased to recognize Ms. Karcher for receiving the Distinguished Service Award from The Council of the Great City Schools.

Ms. Karcher thanked the Superintendent and staff for their support and noted that the award belongs to the entire District.

There was no further discussion. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

7. Monthly Financial Report Unaudited – for the Period Ending April 2013

Ms. Connie Pou, Controller, presented the Monthly Financial Report Unaudited – for the Period Ending April 2013, noting that it was approved at the School Board meeting of June 19, 2013, and welcomed questions.

There was no discussion. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

INTERNAL AUDITS:

8. Internal Audit Report – Selected Schools

Mr. Montes de Oca presented the Internal Audit Report – Selected Schools and said he was pleased to announce that although the property audits staff had been shorthanded throughout the year, the auditors still managed to complete 100% of the property inventory throughout the District. Mr. Montes de Oca proudly recognized the property audits staff at the meeting.

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits briefly summarized the audit results of the last 34 schools audited for this fiscal year and noted that at five of the 34 schools, controls over various areas needed improvement. She echoed Mr. Montes de Oca accolades, reiterating that 100% of the property inventories was completed. Ms. Gonzalez then thanked the staff at the school sites, School Operations and Education Transformation Office for providing the responses to the audit findings on a timely manner.

Committee members expressed concern with Miami Northwestern's findings and a comment was made that the school seems to be moving in the wrong direction.

Ms. Valtena G. Brown, Chief Operating Officer, explained that there have been changes in principal and treasurer capacities in the last three audits and School Operations is working closely with the treasurer and current principal to avoid financial problems in the future.

In response to several questions from Committee members relating to the extent of training principals receive and what type of support they have available, Ms. Brown noted several training methods that are in place and explained that each principal has an Administrative Director at the Region who oversees the financial area to assist and guide the principals. The principals also have the option to contact the District staff for assistance. Ms. Brown also explained that on a quarterly basis mini audits will be conducted to aid the principals in identifying problems ahead of time and thus avoid audit exceptions.

On a positive note Mr. Thornburg extended accolades to Mr. Montes de Oca and his staff for playing an important role in training the principals. He said he is confident that those trainings will be very worthwhile and will reduce the number of problems going forward.

Mr. Montes de Oca thanked Mr. Thornburg for his comments and gave credit to Ms. Gonzalez for making countless presentations to principals and school site administrator, noting that he looks forward to a much better year because of the actions that are being taken.

Ms. Brown added that in their professional development program they have included peer to peer training where principals can call a peer for assistance if they do not feel comfortable calling the District.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Rasco, which carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

9. Internal Audit Report – Miami Partnership for Action in Communities Taskforce

The Chief Auditor introduced the Miami Partnership for Action in Communities Task Force (Project MPACT) Report and pointed out that the audit was requested by the administration and completed a long time ago, but the publication of the report was delayed due to a criminal investigation being conducted. The Chief Auditor explained that he received communication on May 2013 from the Acting Chief of Schools Police indicating that the report could be published since the criminal investigations had been completed and no criminal charges were brought against anybody. However, the report still recommends disciplinary action against an employee who was found committing fraud. He stated that there are still outstanding issues, but since the report was delayed for so long, he decided to publish the report and allow the administration to address these issues later.

The ABAC Chair asked for clarification as to why the report was delayed. The Chief Auditor explained that his office had completed the audit fieldwork in 2010 and was ready to publish the results when the former Chief of Police for Miami-Dade County Public Schools, in connection with the State Attorney's Office (SAO), advised his office not to publish the report thereby disclosing information that could jeopardize or interfere with an on-going criminal investigation associated with the program.

Mr. Trevor L. Williams, Assistant Chief Auditor, reiterated the Chief Auditor's explanation in regards to the reason why the report was delayed and gave an overview of the audit fieldwork of Project MPACT. He accentuated that the audit was requested by the administration due to concerns with payroll and management issues and after completing the audit fieldwork, the findings show wasteful, abusive actions and cases of misfeasance, affirming the administration's concerns.

Ms. Hantman expressed concern as to why the School Board members were not previously informed of this matter and questioned the authority of the former Chief of Police to direct the Chief Auditor to withhold publication of the results of the audit, since the Chief Auditor reports to the School Board and the Chief of Police reports to the administration. The Chief Auditor reiterated that the publication was withheld due to an on-going criminal investigation as communicated to him by the Chief of Police in a letter. The letter also communicated that the State Attorney and the Inspector General of the U.S. Department of Labor were also involved and divulging the information could be considered as interfering with the investigation.

Dr. Daniel Tosado, Chief of Staff, provided a brief background of Project MPACT, noting that Project MPACT was transferred from the Division of School Police to School Operations and the administration requested an audit due to perceived payroll anomalies. As the result of the audit, the administration pursued administrative remedies in the area of personnel, specific conflict of interest and contractor issues. During the course of the audit, the administration made internal changes to improve supervision, and had conversations with the Department of Labor officials in Atlanta regarding the corrective action put in place in order to save the grant. He mentioned that actions were also taken by the administration by reassigning the Director of Project MPACT and subsequently not reappointing her. He also noted that the administration is pursuing additional outstanding issues that were raised by the report and submitted responses addressing the findings not only in terms of the Division of School Police but also in terms of District procedures.

In response to a question regarding concerns pertaining to the Police Department investigating their own department, the Chief Auditor responded that he had the same concerns when the Police Department joined the investigation. But he was reassured that the Internal Affairs Unit, which is independent from the Police Department, would be the department conducting this investigation.

Mr. Thornburg asked when was the federal grant awarded and if the District has a policy about auditing Federal grants. Mr. Williams responded that the initial grant was awarded in 2002 and explained that as part of the annual audit process, the District undergoes an audit of federal grants, commonly referred to as Single Audit. He pointed out that based on risk assessment, which considers certain factors and criteria, the OMCA performs audits of federal grants on a periodic basis.

Mr. Thornburg mentioned that as he read the very well planned OMCA's Annual Report, there are limited resources and an undetermined time of completion for the long range plan. He stressed that one of the fiduciary duties of an Audit Committee is to assure that the Internal Audit Department has adequate resources to accomplish its job. He mentioned that the OMCA does a phenomenal job with limited resources and stated that as an ABAC member, he suggests that the School Board and the Superintendent evaluate whether the Internal Audit Department has the adequate resources to do its job.

Mr. McGhee had a concern that in the SAO's conclusion to this criminal investigation, infractions did not raise to the level of criminal prosecution and asked when there is lack of criminal prosecution, whether is there a policy on civil remedy to address this issue. Mr. Walter Harvey, School Board Attorney, responded that his office has reviewed the report and there are a number of administrative and civil remedies being considered.

Relating to Ms. Hantman's earlier statement and School Board member Dr. Wilbert "Tee" Holloway's concerns regarding withholding information, Mr. Shapiro asked what are the guidelines; criteria and rules when you have a criminal investigation where the School Police Department and the SAO are involved directing the Internal Auditor not to disclose information to the entity that is the responsible party of the overall administration of the school system. Mr. Harvey explained that the School Board and the District operate in an environment where documents that are generated or transmitted are potentially public records. He stated that divulging information related to an active investigation of a criminal

nature, as these actions could become public records, may compromise the results of the investigations, especially when the investigations are under the purview of the SAO. Mr. Harvey added that the Chief of Police can indicate to investigative entities that there is a substantial risk associated with divulging information, but cannot issue directives, as was the term used in this situation, other than the fact that he is enforcing the law in the State of Florida.

In response to a question regarding if Project MPACT is considered part of M-DCPS or has an independent governing body, Mr. Harvey responded that from what he has read Project MPACT does not have an independent governing body and stated that the grant was received from the Federal government and the District hired the employees.

Ms. Raquel Regalado, School Board Member, asked if from a legal perspective the documents were viable public records. Mr. Harvey responded that in regards to this matter some of the documents contained in the file could have become public records, but since there was an investigation and documents were generated through the SAO, they did not become public until the SAO sent a close-out memorandum dated May 24, 2013, which at that point the entire investigative file became a public record.

Ms. Regalado commented that she is concerned that there is no policy which deals directly with this situation. She suggested for the School Board Attorney to look into creating a School Board policy that when there is a close-out memo from the investigative entity working alongside with Miami-Dade School Police, the information be immediately transmitted to the School Board.

Ms. Hantman stated for the record that in the report a Steering Committee is mentioned and asked what was their role in the operation of Project MPACT. Dr. Tosado responded that the role of the Steering Committee was intended to set the objectives of the program and receive status reports of the program on a periodic basis. Ms. Hantman also mentioned the potential responsibility in terms of Internal Revenue Services (IRS) and asked if the IRS was involved in this investigation. Dr. Tosado responded that a small amount of money was paid to a large number of individuals and the Controller's office will research the issue to determine exactly how the students were paid and how those payments aligned with the IRS requirements in order to know exactly the extent of the liability to the IRS but the IRS was not involved.

Ms. Hantman thanked Dr. Tosado for the explanation and noted that she has extreme confidence in the Audit Department and the administration, but ultimately, the School Board is responsible and she, as the Board Chair, is responsible for making sure that the Board is protected. Ms. Hantman indicated that she first knew about the situation on Thursday and had a conversation with the Board Attorney on Friday. She pointed out that for a situation that was so confidential several people received copies, except for the Board, on the correspondence from the Chief of Police to the Chief Auditor giving the directive to the Chief Auditor to withhold information. She insisted that there should be a policy established to prevent this situation from happening again.

In addressing Ms. Hantman's concerns, Mr. Montes de Oca explained that the U.S. Department of Labor did close the investigation. In regards to the reason as to why the School Board did not receive copies of the Chief of Police correspondence, the Chief Auditor explained that the School Board members had been notified the information would have

become a public record and because there was an on-going investigation the information could not be divulged. He added that the individuals who received copies of the Chief of Police correspondence were involved in the investigation and his report is not public domain until the investigation is closed.

Mr. Salver asked if Palmetto Homes of Miami is still in business. Mr. Williams responded that as of the end of the audit fieldwork, the company was still in business as an active corporation.

Ms. Regalado stated that she has confidence in the Internal Audit Department, but it appears that there is a conflict with the understanding of confidentiality. She remarked that she understands the purpose of confidentiality during an investigation, but she feels that if there is a close-out memorandum from an outside entity pertaining to an investigation, which becomes public record, the Board should be advised immediately.

The Chief Auditor acknowledged that he understands the concerns of the Board and committed that in the future he will immediately transmit only the close-out correspondence to the Board, since it is public record. He also observed that the audit report was published within thirty days of receiving the close-out memorandum.

Ms. Hantman requested a copy of the close-out memorandum from the U.S. Department of Labor that the Chief Auditor previously mentioned. The Chief Auditor responded that he will be happy to provide a copy of the close-out memorandum to the Board and pointed out that on his cover letter to the audit report he makes reference to the agencies that closed-out the investigation.

There was no further discussion. A motion was made by Mr. Salver, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Internal Audit Report – Miami Partnership for Action in Communities Taskforce (Project MPACT) be received and filed by the School Board.

10. Office of Management and Compliance Audits' Activity Report

The Chief Auditor presented the Office of Management and Compliance Audits' Activity Report, and noted that it enumerates what has transpired since the last ABAC meeting.

There was no discussion. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

11. Update on information requested by ABAC, related to charter schools' Capital Outlay Funds

Mr. Montes de Oca explained that the above-mentioned caption matter is being brought to the Committee as promised at the last ABAC meeting, and is confident that it addresses the issues raised. He welcomed any questions.

There was no discussion. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

NEW BUSINESS

No discussions.

OLD BUSINESS

No discussions.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Shapiro at 2:14 p.m.

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