

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

July 19, 2016

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, July 19, 2016, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Roland Sanchez-Medina, Jr., Esq., Chair
Dr. Lawrence S. Feldman, School Board Member
Mr. Alvin L. Gainey, Jr., PTSA/PTA President
Mr. Jeff Kaufman
Mr. Kimrey Newlin
Mr. Rudy Rodriguez, CPA

Members Absent:

Mr. Juan del Busto
Mr. Jeffrey Codallo
Ms. Susan Marie Kairalla
Mr. Albert Lopez, CPA
Mr. Rayfield McGhee, Jr., Esq., Vice Chair
Mr. Christopher Norwood, J.D.
Mr. Isaac Salver, CPA
Mr. Erick Wendelken, CPA

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer

Call to Order

The ABAC's Chair, Mr. Roland Sanchez-Medina, called the meeting to order at 12:50 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

Introduction of Mr. Alvin L. Gainey, Jr., PTSA/PTA President and newest ABAC Member.

The Chair requested all in attendance to introduce themselves, which they did. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair
Dr. Marta Pérez Wurtz, School Board Member
Mr. Alberto M. Carvalho, Superintendent
Mr. Walter J. Harvey, School Board Attorney
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer
Mr. Jose L. Dotres, Chief Human Capital Officer
Ms. Maria L. Izquierdo, Chief Academic Officer
Ms. Deborah Karcher, Chief Information Officer

Mr. José F. Montes de Oca, Chief Auditor
Mr. Ron Steiger, Chief Budget Officer
Dr. Magaly C. Abrahante, Assistant Superintendent
Ms. Joyce M. Castro, Assistant Superintendent
Mr. Robert G. Gornto, Assistant Superintendent
Ms. Patricia M. Fernandez, Assistant Superintendent
Ms. Tiffanie Pauline, Assistant Superintendent
Mr. Luis M. Garcia, Deputy School Board Attorney

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Ms. Connie Pou, Controller	Ms. Elvira Sanchez, Audit Coordinator
Mr. Leonardo Fernandez, Treasurer	Mr. Eric Acosta, Principal
Mr. Jose Bueno, Region Superintendent	Mr. Jerold Blumstein, Chief of Staff
Ms. Barbara Mendizábal, Region Superintendent	Ms. Jackeline Fals, Chief of Staff
Dr. Albert Payne, Jr., Region Superintendent	Ms. Ana Lara, Administrative Assistant
Ms. Maria T. Gonzalez, Assistant Chief Auditor	Ms. Jennifer Rojo Suarez, Administrative Assistant
Mr. Trevor L. Williams, Assistant Chief Auditor	Ms. Dalia Rosales, Administrative Assistant
Ms. Daisy Naya, Assistant Controller	Ms. Gina Rimart, Administrative Assistant
Ms. Ailil Graupera, Assistant School Board Attorney	Mr. Samir Adil, Staff
Ms. Tabitha G. Fazzino, District Compliance Officer	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Cynthia Gracia, Administrative Director	Ms. Latisha Green, Administrative Assistant
Mr. John Schuster, Administrative Director	Ms. Lawandra Houston, District Administrative Assistant
Mr. Jorge Rubio, District Director	Mr. Felix Jimenez, Assistant Inspector General
Mr. Luis Baluja, Executive Director	Mr. Thomas Knigge, OIG, Supervisor Special Agent
Ms. Nicki L. Brisson, Executive Director	Mr. Alfredo De La Rosa, Principal, Miami Arts Charter Sch
Mr. Ernesto Gonzalez, Executive Director	Mr. Donovan Maginley, Partner, RSM US LLP
Mr. Jon Goodman, Executive Audit Director	Ms. Alexandria Lorie, Director, RSM US LLP
Ms. Mahati Tonk, Executive Director	Mr. Anil Harris, Manager, RSM US LLP
Ms. Teresita Rodriguez, Audit Manager	Ms. Leany Perez, Manager, RSM US LLP

2. Approval of the Minutes of the Special School Board Audit and Budget Advisory Committee Meeting of April 5, 2016 and the regular meeting of May 10, 2016

The Chair drew the members' attention to the minutes for the Special ABAC meeting of April 5, 2016, and the regular meeting of May 10, 2016 and asked whether any members had suggested revisions or questions related to the contents of the proposed minutes.

Mr. Newlin moved and Dr. Feldman seconded the approval of the minutes to serve as the memorialization of the April 5, 2016, Special ABAC meeting and the regular meeting of May 10, 2016. The motion carried unanimously.

3. Recognition of Mr. Ron Steiger, Chief Budget Officer, for receiving the Distinguished Budget Presentation Award

The Chief Auditor recognized Mr. Ron Steiger, Chief Budget Officer, as the recipient of this very distinguished award, which was bestowed upon the District. The Chair congratulated Mr. Steiger on his achievement.

This recognition required no transmittal to School Board.

4. Proposed Audit and Budget Advisory Committee Meeting Dates for Fiscal Year 2016-2017

The Chair then drew the member's attention to the proposed ABAC dates for Fiscal Year 2016-2017 and asked if there are any conflicts with the dates.

A motion was made by Mr. Newlin, seconded by Mr. Gainey, which carried unanimously, to approve the schedule of dates for the ABAC meetings for Fiscal Year 2016-2017.

5. The School Board of Miami-Dade County, Florida – Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2016

Mr. Donovan Maginley, Engagement Partner for RSM US LLP, and members of his staff introduced the audit plan which represents a road map of the audit process. He outlined the planning process and identified the deliverables expected to be fulfilled upon the completion of the audit. He emphasized the quality of the work product that will be delivered because of their experience, history and knowledge of M-DCPS. Mr. Maginley also emphasized the importance of maintaining independence while performing audit procedures. He pointed out that RSM will not be conducting a single audit this year in conjunction with the audit of the financial statements of M-DCPS, because that audit will be conducted by the Auditor General. Mr. Maginley concluded the presentation by noting that the Audit Plan and AU 260 Communication proposal submitted by RSM US LLP reflects the engagement team and time table to complete the audit.

The Chair inquired about cyber security issues the auditors might have faced in other school districts audits and the risk factors regarding students' information being compromised. Mr. Maginley responded that they are aware of some security issues that took place in the Palm Beach School District and that is why they will be closely reviewing this area.

Dr. Feldman expressed concerns regarding the risk factor of unauthorized access from internal and external users to the District's IT system. Mr. Maginley commented that one of the tests they perform is to assess the user's access based on their role and responsibilities according to their job description.

There being no further questions. A motion was made by Dr. Feldman, seconded by Mr. Newlin, which carried unanimously, to recommend that the **Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2016** be received and filed by the School Board.

AUDIT REPORTS:

6. Internal Audit Report – Audit of Instructional Support Services Contract and Agreements

The Chief Auditor introduced the above-referenced report. He mentioned that the services were delivered according to the contract agreement; however, the auditors noted the need for a clearer scope on some of the deliverables, payments needed to be better aligned with the

deliverables, and improvement was also needed over internal controls of payments. He noted that the Superintendent had begun to address issues with the contract agreements, included in the audit, even before the findings were discussed with the administration. Mr. Montes de Oca thanked Mrs. Marte for spearheading the responses for all the departments.

There being no questions, a motion was made by Mr. Rodriguez, seconded by Mr. Newlin, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Instructional Support Services Contract and Agreements** be received and filed by the School Board.

7. Internal Audit Report – Selected Schools/Centers

The ABAC Chair introduced Ms. Maria T. Gonzalez, Assistant Chief Auditor, and asked her to provide an overview of the above-referenced report. Ms. Gonzalez indicated that the report contained the results of 48 school audits. Thirty-three of the aforementioned school administrations performed a commendable job and the remaining 15 had audit findings. Ms. Gonzalez informed the Committee on the specifics of some audit findings ranging from misappropriation of funds and payroll issues.

Dr. Feldman inquired about a plan of action regarding follow up on audit findings pertaining to payroll. Mr. Montes de Oca responded that whenever a school has a finding the auditor will review the records, in the particular area during the next audit, to determine if the previous audit finding has been corrected.

Mr. Rodriguez recommended utilizing automated biometrics as a solution to payroll issues and corresponding audit findings. The Chief Auditor pointed out that it is up to administration to implement any systems.

Mr. Newlin also expressed concern regarding the areas of repeated findings identified in the audit reports and asked how this situation will be dealt with by the administration. Mrs. Brown explained that audit findings are reflected on principals' evaluations and corrective actions are closely monitored.

There were no further questions, a motion was made by Dr. Feldman, seconded by Mr. Newlin, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers** be received and filed by the School Board.

8. Internal Audit Report – Adult Centers

The Chief Auditor introduced the above-referenced report and mentioned that the report contained the audit results of eight adult education centers, six of which had no findings. He then yielded the floor to Ms. Gonzalez, to entertain any questions from the Committee.

There were no questions. A motion was made by Mr. Newlin, seconded by Mr. Rodriguez, which carried unanimously, to recommend that the **Internal Audit Report – Adult Centers** be received and filed by the School Board.

9. Presentation of FY 2016-17 Executive Summary Tentative Budget

The Superintendent of Schools introduced the above-referenced summary and explained that the Bond Referendum that was passed in 2012 authorized the School Board to increase the total millage rate by adding a supplemental millage. He was pleased to report that the discretionary millage for the current year is the lowest in the last 40 years. Mr. Carvalho then provided an overview on the elements of the budget, noting how the District has managed to improve its credit rating with a positive outlook, which in turn has allowed it to refinance its debt and obtain more favorable interest rates; thereby, saving millions of dollars.

Mr. Carvalho then yielded the floor to Mrs. Judith M. Marte, who elaborated on the accomplishment of the District budget, even when the effective revenue increase received from the State was less than one percent. She provided additional information on the guiding principles, revenue summary, general fund factors, balancing plan and the millage rates.

Mr. Rodriguez complimented Mrs. Marte on the content and details of her presentation.

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

10. Monthly Financial Report Unaudited – For the Period Ending May 2016

Mr. Montes de Oca introduced the above-noted report and explained that this type of report is presented at every Committee meeting to keep its members apprised as to how the District is doing financially and yielded the floor to Mrs. Marte to entertain any questions.

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

11. Presentation of the Last 3 of 125 Charter Schools' Audited Financial Statements FYE June 30, 2015

The Chief Auditor presented the review of the above-noted statements and mentioned that there were some issues with two of the schools that were satisfactorily addressed. As to Miami Arts Charter, which also had some significant issues, the school administration addressed most of them; however, there are some outstanding financial issues that will be revisited.

Mr. Rodriguez inquired about the status of the half million (\$500,000) payment regarding Keys Gate Charter High School that was discussed at the prior ABAC meeting. Mr. Montes de Oca replied that in conjunction with the School Board Attorney, a request was made for public information related to this transfer. Keys Gate administration provided some documents that were reviewed by OMCA and some concerns that were noted were referred to local agencies for review and consideration. The Chief Auditor anticipates an update at the next ABAC meeting in September 2016.

Dr. Feldman asked Mr. Harvey about the status of issues regarding the transfer of Charter School funds across county lines and added that his understanding was that these transfers are illegal. Mr. Harvey concurred that transfers of FTE funds out of county are illegal, that

charter schools had been notified of these violations, and that some had returned the funds to the charter schools in question. He stated that in some cases, the District administration had negotiated new contracts with some charter schools where they had agreed to the language prohibiting transfer of funds across county lines. The Chief Auditor offered to present a summary report of charter schools that made these transfers and the status of the returns of these funds at the September 2016, ABAC meeting.

Mr. Newlin inquired about Pinecrest Charter School regarding its transfer of funds across county lines and the Chief Auditor again noted that he will provide a summary report in the September ABAC meeting. Mr. Newlin also asked about transfers to the parent company and how this would work within the law. Mrs. Brown stated that the language of the agreements with Charter Schools has been modified accordingly, regarding this infraction. Mrs. Brown clarified that this new language may have variations among the contracts, since the charter school contracts are negotiated.

There being no further questions. A motion was made by Dr. Feldman, seconded by Mr. Gainey, which carried unanimously, to recommend that the **Presentation of the Last 3 of 125 Charter Schools' Audited Financial Statements FYE June 30, 2015** be received and filed by the School Board.

OTHER REPORTS:

12. Evaluation of External Auditors (FYE June 30, 2015) and the Internal Audit Team (FYE June 30, 2016)

Mr. Montes de Oca presented the results of the evaluations for the external and internal audit teams by the ABAC Committee and Senior Administration members.

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

13. Office of Management and Compliance Audits Proposed 2016-2017 Audit Plan

The Chief Auditor presented the OMCA Proposed 2016-2017 Audit Plan and pointed out that the audit plan outlines their priorities for the upcoming year. He hopes to obtain feedback from stakeholders during the summer and present a final plan to the Committee at the September 20, 2016 meeting for its recommendation and transmittal to the School Board for final approval.

Dr. Feldman inquired about the policy and procedures regarding follow-ups on prior audit findings. Mr. Montes de Oca explained that follow-ups are always conducted at schools where findings are noted on the specific areas such as payroll.

Additionally, Dr. Feldman inquired on specific audit areas that were listed under the category of Information Technology and/or Long Range Internal Audits (District). The Chief Auditor reiterated that the audit plan is proposed and that whatever changes are suggested would

need to occur during the summer to be evaluated and considered by the ABAC prior to approval of the plan in September 2016.

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

14. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca introduced the above-noted subject and stated that this report details what has transpired from the last ABAC meeting to date and welcomed any questions.

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

New Business:

None.

Old Business:

None.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Sanchez-Medina at 2:05 p.m.

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