

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
July 9, 2015**

The School Board Audit and Budget Advisory Committee (ABAC) met on Thursday, July 9, 2015, 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 Vice Chair
Mr. Nestor Caballero, CPA MST CGAP
Mr. Juan del Busto
Ms. Marian L. Hasty, Esq.
Ms. Susan Marie Kairalla
Mr. Albert Lopez, CPA
Mr. Isaac Salver, CPA
Mr. Christopher Norwood, J.D.
Mr. David Schwartz
Mr. Erick Wendelken, CPA

Members Absent:

Mr. Rayfield McGhee, Jr., Esq., Vice Chair
Mr. Joseph Gebara, PTSA/PTA President

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 12:36 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

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

Ms. Perla Tabares Hantman, School Board Chair	Ms. Lisa Martinez, Chief Strategy Officer
Dr. Marta Pérez, School Board Member	Mr. Luis Garcia, Deputy School Board Attorney
Ms. Lubby Navarro, School Board Member	Ms. Connie Pou, Controller
Ms. Raquel Regalado, School Board Member	Mr. Ron Steiger, Chief Budget Officer
Mr. Alberto M. Carvalho, Superintendent of Schools	Ms. Barbara A. Mendizabal, Region Superintendent
Mr. Walter J. Harvey, School Board Attorney	Dr. Magaly Abrahante, Assistant Superintendent
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Ms. Joyce Castro, Assistant Superintendent
Ms. Iraidia Mendez-Cartaya, Associate Superintendent	Ms. Tiffanie Pauline, Assistant Superintendent
Mr. Jose L. Dotres, Chief Human Capital Officer	Mr. James Haj, Assistant Superintendent
Ms. Enid Weisman, Chief Human Capital Officer	Dr. Ana M. Rasco, Assistant Superintendent
Mr. José F. Montes de Oca, Chief Auditor	Ms. Mindy McNichols, Asst. School Board Attorney
Mr. Jeff Kaufman, Alternate ABAC Member	Ms. Maria T. Gonzalez, Asst. Chief, School Audits

Mr. Julio Miranda, Asst. Chief, Investigations	Mr. David Coleman, Chief of Staff
Mr. Trevor L. Williams, Asst. Chief, District Audits	Ms. Jackeline Fals, Chief of Staff
Mr. Leonardo Fernandez, Treasurer	Ms. Viviana Jordan, Chief of Staff
Ms. Daisy Naya, Assistant Controller	Ms. Fanny Fierro, Administrative Assistant
Mr. Scott B. Clark, Risk/Benefits Officer	Ms. Raquel Alexander, Administrative Assistant
Ms. Bernadette Montgomery, District Director	Ms. Andreina Espina, Administrative Assistant
Ms. Sally Shay, District Director	Ms. Marisol Marin, Administrative Assistant
Ms. Marisol Diaz, Administrative Director	Ms. Maloy C. Morales, Administrative Assistant
Ms. Tabitha Fazzino, Administrative Director	Ms. Dalia Rosales, Administrative Assistant
Ms. Cynthia Gracia, Administrative Director	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Janice Cruse-Sanchez, Administrative Director	Ms. Lucila I. Gonzalez, Administrative Secretary
Mr. John Schuster, Administrative Director	Ms. Lawandra Houston, Administrative Secretary
Ms. Terri A. Chester, Executive Director	Mr. Thomas Knigge, OIG, Supervisor Special Agent
Mr. Jon Goodman, Executive Audit Director	Mr. Lazaro Solis, Deputy Property Appraiser
Mr. Richard Yanez, Audit Director	Ms. Victoria Llerena, Property Appraiser Staff Attorney
Dr. Verena Cabrera, Director	Mr. Mark Martinez, Senior Deputy, Clerk of Court
Dr. Tarek Chebbi, Director	Mr. Robert Alfaro, VAB Manager, Clerk of Court
Mr. Christopher Morgan, Director	Mr. J.C. Quintana, Director of Smart Management
Ms. Tamara Wain, District Supervisor	Mr. Ralph Arza, Florida Charter Schools Alliance
Ms. Michelle Denis, Budget Supervisor	Mr. Alex Garcia, Partner, Smart Management
Mr. Luis Baluja, Supervisor	Ms. Virginia Garcia, Partner, Smart Management
Ms. Teresita Rodriguez, Audit Manager	Ms. Lauren Hollander, CEO, Mavericks Charter Sch.
Mr. Ivo Gomez, Claims Compliance Officer	Mr. Charles Gibson, Gen. Counsel, Somerset Acad.
Mr. Michael Hernandez, Audit Specialist	Mr. Donovan Maginley, Partner, McGladrey LLP
Ms. Jeny Priante, Staff Auditor II	Ms. Christina Veiga, Miami Herald Reporter
Mr. Jerold Blumstein, Chief of Staff	

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 12, 2015

The Chair drew the members' attention to the minutes of the ABAC meeting of May 12, 2015, and thanked the Vice Chair, Mr. McGhee, for chairing the meeting and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

A motion was made by Dr. Feldman and seconded by Ms. Kairalla to receive the approval of the minutes which serve as the memorialization of the May 12, 2015, ABAC meeting. The motion carried unanimously.

3. Proposed Audit and Budget Advisory Committee Meeting Dates for Fiscal Year 2015-2016

The Chair then drew the member's attention to the proposed ABAC dates for Fiscal Year 2015-2016 and asked if there are any conflicts with the dates.

Mr. Salver noticed a conflict with the September 2015 meeting.

A motion was made by Dr. Feldman, seconded by Mr. del Busto, which carried unanimously, to approve the schedule of dates for the ABAC meetings for Fiscal Year 2015-2016, subject to establishing the best date for the September 2015 meeting.

AUDIT REPORTS:

4. Internal Audit Report – Audit of Miami-Dade County Value Adjustment Board Appeals Process (Phase 2)

The Chief Auditor introduced the above-referenced report and acknowledged his staff, Mr. Trevor L. Williams, Assistant Chief Auditor, Mr. Julio Miranda, Assistant Chief Auditor, Mr. Richard Yanez, Audit Director, Mr. Luis Baluja, Supervisor, Ms. Teresita Rodriguez, Audit Manager, Mr. Michael Hernandez, Audit Specialist, and Ms. Jeny Priante, Staff Auditor II; and expressed his appreciation for a great job in providing this report. He noted that the audit was requested by the Superintendent, recommended to be performed by this Committee, approved by the School Board, and agreed upon by the Value Adjustment Board (VAB). He provided a brief overview of the contents of the report noting that it contains five findings and 13 recommendations. He emphasized that the audit had been divided into two phases, the first addressing the VAB, which was presented to the ABAC at its March meeting, and the second addressing the Property Appraisal's Office (PAO), being presented now. He pointed out that the Office of the Inspector General is conducting a concurrent investigation of the VAB, which will be forthcoming in a separate report. Mr. Montes de Oca observed that the audit report, among other findings, disclosed unauthorized billings to the District by the PAO for quite some time.

The Superintendent thanked the Chief Auditor and his staff for conducting a timely and expertly insightful audit. He also thanked the Committee for endorsing this audit to be included in the Audit Plan, and the School Board members for their support. He provided background information identifying the multimillion dollar reserve shortfalls that have plagued Miami-Dade County Public Schools (M-DCPS) during the last several years, citing the causes and emphasizing how the pleadings of the District had fallen on deaf ears. He stated that the District, again, this year is foreseeing another tax collection shortfall that could exceed \$50 million. He pointed out that it was egregious to learn that the District was improperly billed by the PAO referencing inappropriate statute to justify the collections. Mr. Carvalho noted that, had it not been his request that this audit be conducted and endorsed by the ABAC and the School Board, it would not have come to light the root cause of some of the stress points that the District has experienced in the past three years.

School Board Member Raquel Regalado, who represents the School Board at the Value Adjustment Board (VAB), provided an update on what has transpired at the VAB meetings, citing the following proactive steps taken by the staff pursuant to the leadership of the VAB:

- Establishing a VAB policies and procedures manual (embedded in the manual is the right of the School Board to audit the VAB annually)
- Providing a technical paperless platform, with electronic signatures and data storage in the cloud
- Creating monthly reports (to show how many cases are being heard and the magistrates that worked on those cases to determine what was achieved during any given month)

- Annual audit report (to compile and present a comprehensive report on the work done during the fiscal year to the School Board, the Board of County Commission and the Dade Delegation)

Ms. Regalado emphasized that the two issues described in the audit report pertaining to the interest rates and agents representing taxpayers without authorization, lies with the State. She stated that the VAB was presented with budgetary information from the PAO and noticed that beyond the 40% that the School Board paid to the VAB, there was an extra charge included in the PAO budget; and the VAB requested more information as to the nature of the change in order to be more transparent and accountable. She expressed that before the VAB approves the budget document, the requested additional information includes the actual PAO employees who appear before the VAB. Ms. Regalado said that in the same way the VAB responded to the concerns of this Committee and the School Board, she expects the same from the PAO in responding and accepting the recommendations provided in the audit report and making the necessary significant changes for a more transparent comprehensive process that will benefit all involved.

Mr. del Busto expressed concern regarding the responses from the PAO in the audit report in that, for example, the PAO has not established a procedure that will ensure transparency.

In response to Mr. Lopez's question regarding what is the next step in this process, the Superintendent explained that he proposed to the School Board and they approved, that the District will not submit any payments to the PAO related to the \$1.6 million that was incorrectly billed for this year and that the PAO should not budget for the upcoming fiscal year for the same amount. He explained that the \$1.6 million will be placed in an escrow account while legal action is pursued to seek restitution for funds that were incorrectly billed and paid in the past.

There were several questions posed by Committee and School Board members pertaining to the incorrect billings of the PAO to the District which were properly addressed.

Dr. Feldman made an appeal to the PAO to correct the massive situation that has dearly cost all those associated with M-DCPS, from the students and teachers to custodians and administrators. He was particularly disturbed by the unauthorized collections by the PAO of millions of dollars from M-DCPS that could have been used to provide much needed assistance especially during years of economic despair and asserted that he will pursue all available mean to recover these funds.

School Board Chair, Ms. Perla Tabares Hantman, respectfully asked that the Committee support the School Board in any action the School Board takes, including legal if necessary, pertaining to payments made to the PAO.

After a lengthy discussion, a motion was made by Dr. Feldman and seconded by Ms. Kairalla, which carried unanimously, to support the School Board's recommendations of notifying the PAO that the District will not make any payments to the PAO; that future PAO budgets should not rely on this funding; to place the funds in an escrow account; and to pursue legal remedies for any funds that were inappropriately billed by the PAO.

At the request of School Board Member, Dr. Marta Pérez, to provide comments, Mr. Lazaro Solis, Deputy Property Appraiser, apologized on behalf of the Property Appraiser (PA) for not being able to attend this meeting due to a scheduling conflict, and then said that the PA was in full support of the audit findings and recommendations. He also pledged to work collaboratively with the VAB, and committed to the School Board to bring a solution to the revenue shortfall that has been plaguing the District.

Mr. Solis provided a brief overview of the PAO's proposed budget that includes an increase of another 24 positions in addition to the 18 positions that were added last year. He explained that the proposed budget has been submitted to the State for approval and once the State approves it, the County will be responsible for funding the PAO operations.

The Superintendent asked if there will be a budget request from the PAO to address the restitution issue. Mr. Solis explained that the State approves the PAO expenditures, but not the revenue and any amendment to the revenue or payments made by the School Board is a legal matter, where their attorneys will advise the PA, in conjunction with the County, on how to resolve this issue.

Mr. Lopez inquired, based on the above-referenced recommendations, whether there will be a monitoring process by the ABAC going forward. The Chair responded that going forward, the responsibility lies with the School Board Attorney's office in informing the Committee about the outcome. The Superintendent explained that several steps have been taken to address this issue and pointed out that a letter, jointly signed by the Vice Chair of the ABAC, the Vice Chair of the Business Advisory Committee, the School Board Chair and himself, outlining some of the issues and solutions they are seeking to resolve this matter, was sent to the County Mayor and the Clerk of the Circuit Court. Mr. Carvalho informed the Committee that some remedies were sought through state legislation to eliminate some of the loopholes identified in Phase 1 of this audit and, had been approved by both chambers, but unfortunately when the legislature abruptly ended its session, the changes to the statutes were not passed. However, he expressed optimism that they will pass during next year's legislation.

The Chair commended the Chief Auditor and his staff for an outstanding audit. The Chief Auditor thanked the Chair for his comments and personally acknowledged the School Board Attorney's office for their assistance which was vital to this audit.

There were no further discussions. A motion was made by Dr. Feldman and seconded by Ms. Kairalla, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Miami-Dade County Value Adjustment Board Appeals Process (Phase 2)** be received and filed by the School Board.

5. Internal Audit Report – Selected Schools/Centers

Mr. Montes de Oca introduced the above-referenced report containing the audit results of 44 schools, 35 of which had no findings. He pointed out that the property inventories for all schools were conducted by his office. He then yielded the floor to Ms. Maria T. Gonzalez, Assistant Chief Auditor, to entertain questions.

Dr. Feldman thanked the administration and School Operations for improving the knowledge of principals and treasurers in conducting financial operations and avoiding audit exceptions.

Ms. Gonzalez thanked the Committee, the School Board and the administration for accepting the audits and wished everyone a great upcoming school year.

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

6. Presentation of FY 2015-16 Executive Summary Tentative Budget

Mr. Montes de Oca introduced the above-referenced report and yielded the floor to the Superintendent for his comments.

Mr. Carvalho gave an overview of the tentative budget and stated that the budget envisions, among other things, a reduction of \$25 million in the millage levied by the School Board; there is an increase of approximately \$89 million to the District appropriated by the legislative process; it increases support to bilingual education by \$4 million; it increases counseling and student support services by \$3 million; it expands high school schedules to eight-period days for up to 12 schools; it expands parental choices; it enhances classroom technology with \$27 million investment in devices; and it protects the District's credit rating and positions the District for an upgrade. The Superintendent then pointed out that this budget does not lay off employees for economic reasons; does not reduce arts, physical education or language arts programs; does not reduce the District's reserve (it adds close to a \$1 million); and does not increase the overall millage rates (it represents a \$25 million decrease).

Mr. del Busto gave accolades to Mrs. Marte for an outstanding budget and asked how much does the District have in the reserve. Mrs. Marte responded that the District has \$81 million in General Fund's reserve; \$17 million in Capital Outlay Fund's reserve; and a preliminary year-end estimation of \$50 million in the Proprietary Fund's reserve (Healthcare Self-Insured Program). Mr. del Busto noted that the PAO should move quickly in resolving the over-valuation that has cost Miami-Dade County taxpayers \$62 million in State revenue.

Ms. Kairalla also congratulated Mrs. Marte and thanked the Superintendent for a great job in working with the Parent Group during the budget meetings and for a great presentation.

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

OTHER REPORTS:

7. Monthly Financial Report Unaudited – for the Period ending April 2015

The Chair introduced the above-referenced report and yielded the floor to Ms. Connie Pou, Controller, 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.

8. Presentation of the Last 12 of 126 Charter Schools' Audited Financial Statements FYE June 30, 2014

Mr. Montes de Oca introduced the above-referenced report and stated that this are the last 12 of 126 charter schools audited financial statements for the fiscal year-ended June 30, 2014, being presented to the Committee.

Mr. Lopez asked what are the consequences when a charter school is not able to meet the financial requirements. The Chief Auditor responded that it depends on how egregious the situation is, and explained that his office is charged with the responsibility of reviewing the charter schools' financial statements and bringing any relevant issues to the attention of the ABAC and the School Board. He added that the District's Charter Schools Department monitors the operations of the all charter schools. He then yielded the floor to representatives from Academy of Arts & Minds Charter High School (Arts & Minds) to entertain any questions.

Mr. J.C. Quintana, Director, Smart Management (Managing Company for Arts & Minds), clarified for the record that under their new management, no employees have gone without being paid, as mentioned publicly at the last ABAC meeting to prove that point. He stated that they have provided payroll and bank records to the Audit Department. Mr. Quintana explained that they have been managing the school since June 2014 and prior to their involvement, the school had a negative financial history. He stated that they have stabilized the school by improving their academic environment and providing textbooks. He added that they have developed a proposed multi-year plan for Arts & Minds for the District to review. He expressed his appreciation for the District's involvement in making sure that the school continues in the right path.

In response to a comment made from Mr. Quintana regarding employees not getting paid, Ms. Kairalla clarified that she did not say that employees are not getting paid; and that her only concern was whether employees who had automatic payments were negatively impacted. Mr. Quintana responded that one employee was negatively impacted due to direct deposit; however, the employee was immediately reimbursed for any uncollected funds fees.

Mr. Wendelken asked if the Florida School for Integrated Academics and Technologies mentioned in the report received any funding before the school closed. The Chief Auditor responded that he is not aware that the school received any funding. He then yielded the floor to Ms. Tiffanie Pauline, Assistant Superintendent, Charter Schools Support, who confirmed that the school had not received any funding.

There were no further questions. A motion was made by Ms. Kairalla, seconded by Mr. Lopez, which carried unanimously, to recommend that the **Presentation of the Last 12 of 126 Charter Schools' Audited Financial Statements FYE June 30, 2014** be received and filed by the School Board.

9. Evaluation of External Auditors (Fiscal Year Ended June 30, 2014) and the Internal Audit Team (fiscal Year Ending June 30, 2015)

The Chief Auditor introduced the above-referenced evaluations and noted that the Office of Assessment, Research and Data Analysis compiled this information. He stated that all the respondents were very pleased with all the services rendered by the external auditors, the internal auditors and his own performance. Mr. Montes de Oca thanked the respondents for their positive comments.

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

10. Office of Management and Compliance Audits (OMCA) Proposed 2015-2016 Audit Plan

The Chief Auditor presented the OMCA proposed 2015-2016 Audit Plan and pointed out that the audit plan includes an audit of the tax collector for next year. He hopes to obtain feedback from stakeholders during the summer and for the Committee's approval and transmittal to the School Board for final approval.

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

11. 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. Mr. Montes de Oca thanked the ABAC, the School Board and the Superintendent for supporting OMCA with funding two new positions and allowing upgrades to employees in his office, to make salaries more competitive with the private industry.

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

12. Office of the Inspector General (OIG) Final Report of Investigation – Unauthorized Use of M-DCPS Vehicle to Travel Home during Work Hours SB-1415-1003

Mr. Montes de Oca introduced the above-referenced report and explained that this investigation has already been submitted to the School Board and that, pursuant to School Board policy, he is required to bring to the Committee the reports published by the OIG. He then yielded the floor to a representative from the OIG to entertain any questions.

Dr. Feldman pointed out that on page 6, the report states "This report is being provided to the Miami-Dade County Public Schools (M-DCPS) Administration and the School Board for whatever action is deemed appropriate" and noted that the School Board only takes action upon the recommendation of the Superintendent.

Ms. Kairalla congratulated the District and all involved in this investigation.

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

Unfinished Business:

13. Letters to the Florida Department of Education (FLDOE) Requesting Guidance and Clarification as to Legality and Propriety of Certain Charter Schools' Fiscal and Governance Practices

Mr. Montes de Oca explained that the above-referenced letters address concerns by his office regarding transfer of funds made by charter schools. He stated that in response to his inquiry, he received a letter from FLDOE dated June 10, 2015, and based on their counsel's opinion, the transfers in question cannot be made arbitrarily, the School Board and the nonprofit organization have to be in an agreement with transferring of funds, and such transfer outside the county line violates statutory requirements. Mr. Montes de Oca added that he had a conference call with representatives of FLDOE regarding his concerns and after the call, he sent another letter to the FLDOE for additional clarification.

Mr. Norwood thanked the Chief Auditor for following up with the FLDOE regarding the issue of the transfer of funds.

After a brief discussion, the Chief Auditor stated that once he receives clarification from the FLDOE, he will bring it to the attention of the Committee and the School Board.

Ms. Hantman expressed her frustration once again, at having to discuss the same charter school issue at ABAC meetings and asked when there will be a resolution to this matter.

The Chief Auditor concurred with Ms. Hantman of having to discuss this issue; however, on repeated occasions noted that it is his duty to bring these issues to the attention of the ABAC and the School Board. Mr. Montes de Oca pointed out that he is awaiting an opinion from the FLDOE to hopefully resolve this matter.

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

Old Business:

None.

New Business:

The Chief Auditor announced that his colleague, Mr. Julio Miranda, Assistant Chief Auditor, will be retiring shortly after 31 years of outstanding service to M-DCPS. Mr. Miranda received a standing ovation from everyone in attendance and all wished him a well-deserved happy and long retirement.

The Chair welcomed the newest ABAC member, Mr. Albert Lopez, since he was absent during his first ABAC meeting, and stated that Mr. Lopez is an esteemed member of the CPA community.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Roland Sanchez-Medina at 2:37 p.m.

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