

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
January 29, 2008**

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The School Board Audit Committee met on Tuesday, January 29, 2008 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Jeffrey B. Shapiro, Chair  
Ms. Betty Amos, Vice Chair  
Ms. Perla Tabares Hantman, Board Member  
Mr. Frank Carollo  
Mr. Manuel A. Gonzalez  
Ms. Susan M. Kairalla  
Mr. Willie Kemp  
Mr. Robert Stein  
Mr. Nick Tootle  
Mr. Vidal Marino Velis

Non-Voting:

Mr. Allen M. Vann

**Members Absent:**

Mr. Robert W. Schomber

**Call to Order**

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Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:30 p.m.

**Introductions**

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Mr. Shapiro asked everyone present to introduce themselves. The following persons were present:

Dr. Marta Perez, Board Member	Ms. Vivian Lissabet, Adm. Asst. to Ms. Logan
Ms. JulieAnn Rico, School Board Attorney	Ms. Ellen Wright, Administrative Director
Ms. Ofelia San Pedro, Deputy Superintendent	Ms. Cynthia Gracia, Administrative Director
Ms. Carolyn Spaht, Chief of Staff	Dr. Steve Gallon, Administrative Director
Mr. Freddie Woodson, Associate Superintendent	Mr. Nelson Perez, Administrative Director
Ms. Magaly Abrahamte, Assistant Superintendent	Ms. Mary Lee Snipes, Administrative Director
Mr. Will Gordillo, Assistant Superintendent	Ms. Jeanethe Thompson, Administrative Director
Ms. Vera Hirsh, Assistant Superintendent	Mr. Julio Miranda, District Director
Dr. Grace Ali, Chief Financial Officer	Mr. Antonio Martinez, District Director
Ms. Connie Pou, Controller	Ms. Tiffanie Pauline, Executive Director
Mr. Luis Garcia, Chief Assistant Board Attorney	Ms. Barbara Jones, Executive Director
Ms. Mindy McNichols, Senior Attorney	Ms. Tamara Wain, Director
Ms. Ana Lara, Adm. Asst. to Ms. Tabares Hantman	Ms. Margarita, Betancourt, Director
Ms. Bertha Valcarcel, Asst. to Ms. Tabares Hantman	

Mr. Jon Goodman, Director  
Mr. Dario Rosendo Supervisor  
Mr. Norberto Ferradaz, Supervisor  
Mr. Dylan Hughes, Supervisor  
Mr. Luis Baluja, Supervisor  
Mr. Antonio Cotarelo, Media Specialist  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsa Berrios Montijo, Administrative Asst.  
Ms. Alysia Marsh, Administrative Asst.  
Ms. Leony Martin, Academy of Arts & Minds  
Ms. Lorrie Davidson, Charter School USA  
Mr. Richard Strachan, Cooperative Charter School  
Ms. Juliet King, Coral Reef Montessori  
Ms. Lucy Canzoneri, Coral Reef Montessori  
Mr. Michael Rogers, Dade Marine Institute  
Mr. Don Whitfield, Educational Svcs of America  
Ms. Valerie Kinnon, Excel Academy  
Ms. K. Wilson Davis, Liberty City Charter  
Ms. Josiane Etienne Cine, Life Skills Ctr.  
Ms. Amy Rohner, Life Skills Ctr.  
Ms. Kathleen McGrory, Reporter  
Ms. Betty Rodriguez, Reporter

**1. Approval of the Minutes of the Audit Committee meeting of December 11, 2007**

The motion was made by Mr. Gonzalez and seconded by Mr. Tootle to approve the minutes of the December 11, 2007 Audit Committee meeting. The motion was carried unanimously.

**2. Introduction of New Audit Committee Member - Ms. Susan M. Kairalla**

Ms. Kairalla gave a brief summary on her background; she expressed her thrill at being a part of the committee and how much she has appreciated their work in the past.

**3. Selection of Outside Auditors**

Ms. Jones presented the Audit Committee with copies of the requests for proposals (RFP) that were received for the outside auditor. She provided responses from each firm with a copy of the Florida Statutes. She informed the Committee that they were still under a Cone of Silence for the solicitation process; and asked the Audit Committee members to disclose any conflicts of interest.

Ms. Jones gave a detailed presentation on the selection procedures, and explained if there were no oral presentations requested there must be a ranking either individually or collectively of a minimum of three firms. If an oral presentation was required by the Committee it would be scheduled for March 18, 2008.

The Audit Committee questioned the ranking process and Ms. Jones clarified that Florida Statute requires order of preference by the highest qualified.

Ms. Rico elaborated that ranking was for negotiation purposes only and should an impasse occur the next firm on the list would then have a chance at negotiations. If the Committee requested an oral presentation the firms would not have to be ranked.

Following an in-depth discussion the Audit Committee's consensus was that the proposal provided by each firm was thorough. They deemed that an oral presentation would not provide additional information and voted against having the presentation.

Cherry, Bekaert & Holland was eliminated from the RFP due to concerns that they did not have a local presence. The remaining firms were ranked on an individual basis as noted below:

Mr. Shapiro	Ms. Amos	Ms. Tabares Hantman
1. Ernst & Young	1. Ernst & Young	1. Ernst & Young
2. Rachlin Cohen & Holtz	2. KPMG	2. Rachlin Cohen & Holtz
3. KPMG	3. Rachlin Cohen & Holtz	3. KPMG

Mr. Tootle	Mr. Gonzalez	Mr. Carollo
1. Ernst & Young	1. Ernst & Young	1. Ernst & Young
2. KPMG	2. KPMG	2. KPMG
3. Rachlin Cohen & Holtz	3. Rachlin Cohen & Holtz	3. Rachlin Cohen & Holtz

Mr. Kemp	Ms. Kairalla	Mr. Velis
1. Ernst & Young	1. Ernst & Young	1. Ernst & Young
2. KPMG	2. Rachlin Cohen & Holtz	2. KPMG
3. Rachlin Cohen & Holtz		3. Rachlin Cohen & Holtz

Mr. Stein
1. Ernst & Young
2. Rachlin Cohen & Holtz
3. KPMG

Ms. Rico requested for the record that Ms. Jones read the order of ranking based on the Audit Committee's votes. The votes were recorded as follows: (1) Ernst & Young, (2) KPMG, (3) Rachlin Cohen & Holtz.

Mr. Vann asked the Audit Committee if they could advise staff in terms of what they would like to see in the negotiation process. The Committee suggested to have Ernst & Young negotiate down their single audit price (Amos), discuss with staff if they thought there were enough experienced level people on the audit; if not negotiate to have experienced personnel; even if it means a higher price (Stein), and to have Ernst & Young have a rotation of staff that works on the audit because of their longevity with the District (Gonzalez).

Mr. Vann thanked the Audit Committee for their recommendations and advised that he would consult with the Deputy of Operations and the Chief Financial Officer.

Mr. Shapiro declared that the Committee had fulfilled their obligation and moved to the next item.

(Please note that the minutes are presented in the order of the original agenda; however, at the suggestion of Mr. Vann agenda item 6 was addressed next, to allow the ESA representative to board a return flight.)

## **EXTERNAL AUDITS:**

### **4. Review of Carryover Financial Statements from December 11, 2007 meeting:**

There were three carryover schools that the Audit Committee requested additional information on:

- Cooperative Charter School
- Excel Academy
- Liberty City Charter School

Cooperative Charter School had a \$25,000 note payable on demand that was not included in their statement of financial position. The issue has since been resolved and the school's independent auditors agreed that the organization should restate their notes to their financial statements; in essence corroborate their foot notes to confirm that the \$25,000 was included in the \$27,000 which had previously been in question.

Excel Academy had unpaid payroll taxes of \$21,000. The Audit Committee requested evidence that the taxes payable had been satisfied. Mr. Williams informed the Committee that he had received copies of Form 944 that were filed with the IRS. However, he did not know if Form 941 had been filed or if payroll taxes were paid. Ms. Valerie Kinnon of Excel Academy informed the Audit Committee that Form 941 had been filed and a \$10,000 payment had been made towards the unpaid payroll taxes. Arrangements had also been made with the IRS to subsequently pay \$5,500 on February 15, 2008 and \$5,500 on March 15, 2008. Ms. Kinnon stated that the

organization had increased their enrollment, hired a bookkeeper and received a grant from the Children's Trust Fund to ensure that the situation does not reoccur.

Mr. Shapiro requested proof that the documents were filed be provided to Mr. Williams before the end of the day. The Audit Committee requested a follow up to ascertain if Excel Academy was in full compliance by the March 18, 2008 Audit Committee meeting.

Liberty City Charter School had issues with a poor financial condition and whether their financial recovery plan was adequate. The Charter School's recovery plan included an appraisal of property for \$1.2 million that they expected to sell by June 30, 2008. The school also projected an increase of enrollment from 200 students to 400 students over a five year period.

Mr. Shapiro commented that there was no guarantee that the property would sell; and the increase in enrollment of students to 400 was unrealistic. He questioned what the contingency plan was and how they expected to be a viable operation for next year. Ms. Katrina Wilson, Principal and CEO of Liberty City Charter School explained that due to the market decline they were asking for 75 to 80 percent of the value of the property. Because the property could be used for the development of affordable housing she believed she would be able to sell the property by June 30; and in her opinion the increase in enrollment of 50 students per year was feasible over a five year period.

The Audit Committee was not satisfied with the recovery plan proposed and ascertained it to be insufficient.

Mr. Shapiro requested staff to further interact with Liberty City Charter School to see if an adequate financial recovery plan can be provided by the March 18, 2008 Audit Committee meeting.

The Audit Committee requested Ms. Rico to modify criteria/guidelines in regards to the contractual requirements for inadequate financial recovery plans for charter schools.

## **5. Review of Current Charter School Statements:**

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Mr. Williams provided a summary of 16 charter schools; five of the schools had issues with their audited financial statements:

- Academy of Arts and Minds
- Coral Reef Montessori Academy
- Life Skills Center – Miami Dade County
- Life Skills Center – Opa Locka
- Renaissance Middle Charter School

The remaining eleven schools had no issues and were not asked to appear:

- Archimedean Academy
- Archimedean Middle Conservatory
- Aventura City of Excellence Charter School
- Balere Language Academy
- Downtown Miami Charter School
- Florida School for Integrated Academics and Technologies
- Keys Gate Charter School
- Miami Community Charter School
- Renaissance Elementary Charter School
- The Charter School at Waterstone
- Youth Co-OP Charter School

The remaining 23 charter schools are scheduled for presentation at the March 18, 2008 Audit Committee meeting.

Academy of Arts and Minds charter school's rent went from \$14.76 per square foot to \$31 per square foot. They had an operating deficit of \$56,000, and their operational plan expenditures were 38 percent of the operating expenses. The school responded by providing a market analysis showing that \$31 per square foot is in line with the going rate for the area.

Ms. Amos commented that the analysis was prepared in 2005 and if a current analysis was done there may be a discrepancy. She questioned the amount of additional space the school had acquired of 5,500 square feet and asked if it was being utilized.

Mr. Williams explained that the school expanded through twelfth grade and added additional programs.

The representative of the charter school Ms. Leony Martin further expounded that additional space was also being used to facilitate a theater, music room, dance area, and two visual arts classes.

Coral Reef Montessori Academy's audited financial statements disclosed co-directors receiving a share of \$74,000 for assuming the risk to personally guarantee a loan for the school. The representative for Coral Reef Montessori Academy, Ms. Alexandra Mirabal addressed the Audit Committee and explained that no lender would buy into the loan unless there were personal guarantees.

Mr. Williams further explained that the arrangement was a two tiered agreement. At the initial refinancing of the loan each Co-Director was paid one percent of the loan amount. Secondly an additional half percent of the loan balance for each year the loan is outstanding would be paid to each Co-Director for guaranteeing the loan. In January the school refinanced the mortgage note, yet again. The upfront

one percent was not paid again to the Co-Directors, but the Co-Directors will be entitled to the half percent of the loan balance going forward.

Mr. Shapiro questioned if it was in writing that the co-directors would waive the half percent if the school should have problems.

Mr. Williams answered in the affirmative.

Ms. Golden, Co-Director and Co-Founder of Coral Reef Montessori Academy commented that they have saved the school a substantial amount of money. The school opted not to have a management company and they do the work themselves.

Mr. Williams had concerns with whether the Board's decision to grant a half percent was valid; and he questioned if there was a legitimate quorum to vote.

The Audit Committee had several questions that were not satisfactorily addressed by Coral Reef Montessori Academy Charter School, and they requested a follow up at the March 18, 2008 Audit Committee meeting.

There were concerns with the amount of money Life Skills Center – Miami Dade County pays to their management company; which was 97 percent of the schools FTE. The Charter School responded that they had an agreement with the management company to manage the school and assume all liability and operating deficits.

Ms. Tabares Hantman commented that the arrangement in her opinion was poor practice and leaves the School Board at risk.

The representative for the school, Ms. Rohner explained that their charter contracts are based on the management company retaining 97 percent of qualified revenue over a five year period which leaves 3 percent that the Florida Auditor General recommends for fund balance for the school. She further expounded that Whitehat Management pays a substantial amount of money in addition to FTE revenues from the District, which is not reimbursed to Whitehat Management.

Renaissance Middle Charter School had an operating deficit of \$22,000 and incurred expenditures exceeding their budget by \$80,000. The Charter School provided a very detailed explanation as to the cause for the operating deficit; and provided the reasons why it occurred.

Mr. Williams stated that after reviewing the response, he found it to be acceptable and he did not take exception to the matter as it was understandable as to why it transpired.

Mr. Shapiro questioned if Renaissance Middle was on the road to recovery.

The Charter School's representative, Ms. Laurie Davison responded in the affirmative.

The motion was made by Mr. Stein and seconded by Ms. Amos to transmit to the School Board for its consideration with requested follow up items.

## **6. Review of Community Based Organizations Financial Statements:**

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- Richmond – Perrine Optimist Club, Inc.

Carryover from December 11, 2007 meeting:

- Dade Marine Institute
- Osmbudsman Educational Services Ltd.

Mr. Williams presented the Audit Committee with three Community Based Organizations (CBO). Dade Marine Institute and Osmbudsman Educational Services Ltd. had been presented at the December 11, 2007 Audit Committee meeting. Due to issues/concerns that had not been resolved they were being revisited.

Richmond – Perrine Optimist Club, Inc. audited financial statements were reviewed and found to be in good order. Because there were no issues, a representative was not requested to attend.

Dade Marine Institute's financial statements showed a net operating loss of \$120,000. The Audit Committee had concerns about what was being done to change their current financial position. The Organization submitted a detailed recovery plan that Mr. Williams found to be acceptable.

The Audit Committee questioned whether Ombudsman Educational Services Ltd. was a subsidiary of the larger parent company Educational Services of America, Inc (ESA). The Organization's financial statement also showed an operating loss of \$8 million and the Audit Committee requested the Organization's recovery plan.

Mr. Don Whitfield, Chief Accounting Officer of ESA, discussed the financial aspects of the entity. He explained that during the fiscal year of 2007, the company invested in the infrastructure of the organization; and developed a sales and marketing department at a cost of \$2.8 million. He pointed out that ESA's operational losses would be significantly lower in 2008, and management fully expected the company to show profits in 2009. Mr. Whitfield noted that the loss in the fiscal year 2007 consisted of non-cash depreciation of \$5.5 million. In terms of financials he believed the company had adequate capital to address the short fall and improve results. He informed the Audit Committee that ESA had acquired a \$7 million working capital line of credit to meet any operational deficiencies. In his opinion, from a financial stand point, ESA was viable and would have stronger financial results in the future.

After an extensive discussion, the Audit Committee was not convinced that ESA was in compliance with its contract; the Committee wanted the Board Attorney's office to obtain the contract evidencing ESA's purchase of Ombudsman Educational Services. They requested Ms. Rico to further investigate with the Office of Management and Compliance Audits; and at the next Audit Committee meeting provide a follow up.

The motion was made by Mr. Stein and seconded by Ms. Amos to forward to the School Board; with the understanding that the Committee would reconvene at the March 18, 2008 Audit Committee meeting for further information on Ombudsman Educational Services Ltd.

The motion passed unanimously.

## **7. Office of Management and Compliance Audits Activity Report**

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Mr. Vann presented a brief synopsis of the Activity Report. He informed the Audit Committee that the Homestead Educational Facilities Benefit District audit was prepared at the Chief Facilities Officer's request. The Audit was construction related for land development, and was instrumental in negotiating a closing offer by the District. He provided a list to the Audit Committee of the assignments currently in progress with more audits scheduled for presentation in March. Mr. Vann advised the Audit Committee that the peer review was scheduled to coincide with the March Audit Committee meeting. The Association of Local Governmental Auditors (ALGA) would be encouraged to attend to answer any questions the Committee might have in regards to their review of the internal audit department. The team leader was the Chief Auditor of Fairfax County; she has public school experience and would be able to look at the work papers and reports to ensure they comport with the "Yellow Book" standards for governmental auditing.

The report was for informational purposes only and there was no action taken.

## **8. Internal Audit Report – School Audit - Selected Schools**

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Ms. Gonzalez presented the Audit Committee with 32 school audits. The Audit Committee had questions and expressed concerns on Miami Southridge Senior High's report.

Mr. Woodson addressed the Committee and informed them that the school had been monitored for three years. It was decided that the former principal had more than he could handle and needed less responsibility. As a result a change of principal was done and previous management at the school was also replaced; the current principal had been recruited from another school district and Mr. Woodson was positive the issues would be resolved. He was confident with the new leadership and extensive precautions had been put into place to ensure there were no reoccurrences.

Ms. Tabares Hantman recalled the school having audit findings for three consecutive years and she questioned if any of the corrective actions that were proposed in previous years were followed. She stated for the record the multiple findings that Miami Southridge Senior High had received for credit card, payroll, disbursements, FTE certifications, FTE JOC, data security, and property control.

Mr. Woodson answered that even though plans were put into place they had not been applied by the school.

Mr. Shapiro requested a follow-up from the internal audit team by June 30, 2008, on Miami Southridge Senior High's progress in implementing improvements.

The motion was made by Mr. Stein and seconded by Ms. Amos to transmit to the School Board for its consideration. The motion passed unanimously.

## **9. Audit of Adult ESOL Program**

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Mr. Williams informed the Audit Committee that the District receives funding of \$105 million for this program with 36,000 students enrolled in the Adult ESOL program. He found the program was functioning effectively and efficiently; and enrollment data and performance measurements were reliable. He informed the Audit Committee that the ESOL program was ranked third in the state out of seven in terms of the standard measure of efficiency and effectiveness. However, Mr. Williams found that two schools had concerns with test score documentation.

Ms. Tabares Hantman asked if corrective actions had been taken to satisfactorily correct the problems.

Mr. Williams answered in the affirmative.

There were no further questions and the motion was made by Ms. Amos and seconded by Mr. Stein to transmit to the School Board for its consideration.

## **OTHER BUSINESS**

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### **10. New Business**

#### **a. Statutory Criteria for Determination of Financial Emergency in Charter Schools and Standard Contractual Financial Accountability Provisions**

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Ms. McNichols updated the Audit Committee on the revisions to the charter school contracts. She informed the Committee that every year the criterion is strengthened. In the majority of the contracts the implementation had been added

that if the school fails to exhibit financial accountability they can be declared in financial emergency and are required to submit an adequate financial recovery plan. If the school fails to comply then there is just cause for termination of the contract.

Mr. Shapiro pointed out the vagueness of the Florida Statutes, and questioned how to implement them.

Ms. McNichols stated that guidelines were never issued and the Statutes are a gray area.

Mr. Vann commented that the state provides good concepts, but they don't give local School Board authority to shut down schools.

The report was for informational purposes only and there was no action taken

**b. Protocol for District Staff attendance at Audit Committee meetings**

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Based on Ms. Greer's comment on the large attendance at the Audit Committee meetings; Mr. Vann met with cabinet members for suggestions on controlling the volume of staff needed to respond to school findings. He provided an update to the Audit Committee.

It was the Committee's consensus that it was up to the Superintendent and the School Board Members to decide what staff should be present to answer questions that might arise at the Audit Committee meetings.

Ms. Tabares Hantman stated she would have a conversation with the Superintendent in regards to the issue and have him make any provisions that are appropriate.

The report was for informational purposes only and there was no action taken.

**Adjournment**

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Mr. Shapiro adjourned the meeting at 3:26 p.m.