

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
June 23, 2009**

The School Board Audit Committee met on Tuesday, June 23, 2009 at 12:30 p.m. in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Ms. Betty Amos, Chair
Ms. Perla Tabares Hantman, Board Member
Mr. Manuel A. Gonzalez
Mr. Willie Kemp
Mr. Peter A. Lagonowicz
Ms. Wendy Lobos
Mr. Frederick F. Thornburg, Esq.

Non-Voting:

Dr. Richard H. Hinds
Mr. Jose F. Montes de Oca

Members Absent:

Ms. Susan Marie Kairalla
Mr. Jeffrey B. Shapiro
Mr. Robert Schomber, Vice Chair
Mr. Nick Tootle

Call to Order

Ms. Amos called the meeting to order at 12:37 p.m.

Introductions

Ms. Amos asked everyone to introduce themselves. The following persons were present:

Dr. Marta Perez, School Board Vice Chair	Mr. Scott Clark, Risk Benefits Officer
Mr. Alberto M. Carvalho, Superintendent of Schools	Mr. Jim Dillard, Inspections Officer
Mr. Luis M. Garcia, Acting School Board Attorney	Dr. Carmen B. Marinelli, Regional Superintendent
Mr. Freddie Woodson, Deputy Superintendent	Dr. Marcos M. Moran, Regional Superintendent
Ms. Valtena Brown, Assistant Superintendent	Mr. George A. Nunez, Regional Superintendent
Mr. Joseph Gomez, Assistant Superintendent	Dr. Helen Blanch, Administrative Director
Ms. Vera Hirsh, Assistant Superintendent	Ms. Cynthia Gracia, Administrative Director
Ms. Maria Teresa Rojas, Assistant Superintendent	Mr. Will Gordillo, Administrative Director
Dr. Daniel Tosado, Assistant Superintendent	Mr. Jerold Blumstein, Administrative Assistant
Ms. Enid Weisman, Assistant Superintendent	Ms. Jackeline Fals-Chew, Admin. Assistant
Mr. Jaime C. Torrens, Chief Facilities Officer	Ms. Viviana A. Jordan, Administrative Assistant
Ms. Deborah Karcher, Chief Information Officer	Ms. Ana Lara, Administrative Assistant
Mr. Charles Hurley, Chief of Police	Ms. Vivian Lissabet, Administrative Assistant
Ms. Connie Pou, Controller	Ms. Suzanne Matthews, Administrative Assistant
Ms. Silvia R. Rojas, Treasurer	
Ms. Ana Rijo-Conde, Facilities Planning Officer	

Ms. Naylin Silva, Intern, School Board
Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Trevor L. Williams, Asst. Chief, Operational Audits
Mr. Julio C. Miranda, District Director, OM&CA
Ms. Pat Snell, District Director
Mr. Oscar Fragas, Executive Director
Mr. Jon Goodman, Director, OM&CA
Ms. Tamara Wain, Director, OM&CA
Mr. Luis Baluja, Audit Supervisor, OM&CA
Ms. Bernadette Poitier, Supervisor
Ms. Karen Cohn, Instructional Support Spec.
Ms. Lourdes Amaya, Admin. Asst.
Ms. Elsa Berrios-Montijo, Admin. Sec.
Ms. Sheryl Ragoo, Admin. Sec.
Mr. Steve Pollock, Supervisory Special Agent, OIG
Mr. David Bobe, KPMG LLP
Mr. Michael Costello, KPMG LLP
Ms. Patrice Jones, Ernst & Young, LLP
Ms. Alyson Silva, Ernst & Young, LLP
Mr. Dan Ricker, Watchdog Report

The Chair introduced the newly appointed Audit Committee Member, Ms. Wendy Lobos, Councilwoman, City of Homestead. Ms. Lobos said that she is looking forward to the challenge and expects to contribute to the Audit Committee.

The agenda items were discussed in the following order: 1, 2, 9, 10, non-agenda item OIG Report, 3, 4, 5, 15, 6, 7, 8, 11, 12, 13, 14, 16.

1. Approval of the Minutes of the Audit Committee meeting of May 12, 2009

The motion was made by Mr. Thornburg and seconded by Ms. Hantman to approve the minutes of the May 12, 2009 Audit Committee meeting. The motion carried unanimously.

2. Tentative Audit Committee Dates for Fiscal Year 2009-10

A motion was made by Mr. Thornburg and seconded by Ms. Lobos to approve the schedule of dates for the Audit Committee meetings for Fiscal Year 2009-10.

EXTERNAL AUDITS:

3. Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2008 and Evaluation of the Internal Audit Team Fiscal Year Ended June 30, 2009

Mr. Montes de Oca provided the committee with the results of the surveys for their discussion.

Ms. Amos explained that Mr. Pattillo was not able to attend the meeting because of a prior engagement made before the meeting date was changed, but he had sent very able representatives. She explained that the survey was completed by the Audit Committee members and selected members of senior management.

Ms. Amos commented that it was difficult for her to answer the questionnaire since the Chief Auditor had just left and Mr. Montes de Oca had been on board only a few weeks. Therefore, she based her answers on the former Chief Auditor.

Committee members commented that they would like to make changes to the questionnaire in the future.

There was no action required, since this item was transmitted for informational purposes only.

4. Audit Plan for Annual Financial Statements for Fiscal Year 2008-09

Ms. Alyson Silva, the representative for Ernst & Young (E&Y), the external auditors, presented the report and highlighted the important areas of their plan.

Mr. Thornburg complimented Ernst & Young on the plan, particularly in the area focusing their attention on the risk issues. He suggested that while a report is issued by E&Y on compliance with various school board rules such as lobbying, nepotism etc. should also be included.

Superintendent Carvalho referred to page 18, areas of emphasis, and noted that it does not include the District's Title I allocation of \$26 million for tutoring, which is paid to independent service providers who are not controlled by the District. He noted that this is a high risk area that Ernst & Young should review.

After some discussion, the Committee expressed concurrence with the plan.

The Audit Plan was for informational purposes only; therefore, no action by the Audit Committee was required.

5. Miami-Dade County Public Schools-March 2009 ERP Project Planning and Resource Assessment May 15, 2009

Mr. Montes de Oca noted that M-DCPS engaged KPMG in July, 2008 to provide oversight services on the ERP implementation. In his efforts to keep the stakeholders apprised of everything that goes on, he in conjunction with Ms. Karcher, decided to present this report to the Committee to inform them as to the great progress made on the ERP Project since it was taken over by M-DCPS.

Mr. Michael Costello, Managing Director, KPMG LLP, provided an overview on the results of their March assessment, which had already been submitted to the School Board.

Mr. Kemp asked if the project is on schedule.

Mr. Costello stated that there was a high level review of the project plan at the time. Superintendent Carvalho stated that the project is on schedule, under budget, and with an extended scope in terms of the modules that were proposed to be put back on the table.

Dr. Hinds stated that the original ERP plan was revised and the revised plan was accepted by Bank of America and that after the bank did their own in depth review, they found the ERP Plan to be satisfactory.

Ms. Silvia Rojas stated that M-DCPS finalized the contract with Bank of America for \$77 million dollars for the remaining amount on this contract.

Ms. Karcher gave an update on the ERP Project and added that she informed Mr. Montes de Oca in great detail on the project, since he had been away from the District for some time. In addition, she worked with him on preparing the responses. She noted that she is content with having him on board, because he has institutional knowledge of M-DCPS and she welcomes an additional pair of eyes on the project.

Dr. Perez complimented the Superintendent and Ms. Karcher for a great turnaround on this project from a year ago.

Ms. Amos complimented all those involved in the project for the foresight to bring it in-house and for the progress obtained to date.

Mr. Thornburg echoed Ms. Amos comments.

The Report of the ERP Project Planning and Resource Assessment was for informational purposes only; therefore, no action by the Audit Committee was required.

Ms. Amos asked Mr. Carvalho if he had any questions or comments for the Committee.

Superintendent Carvalho thanked the School Board, the Audit Committee and the administration for the leadership demonstrated by taking the District to a solid financial position, after such large funding reduction in the recent past.

Ms. Hantman commented that she is pleased with the direction into which the District is heading, and noted that a lot of it has to do with the direction provided by the Superintendent.

INTERNAL AUDITS:

6. Office of Management and Compliance Audits Activity Report

Mr. Montes de Oca briefly summarized the activity report and made special reference to page 3, Under Other Activities, Florida Auditor General's FTE Examination report. He informed the Committee that this preliminary report contains an assessment, against M-DCPS which is always large, of \$525,000. He noted that although the amount it is still large, the assessment it is a huge improvement over the prior audit when the assessment was \$1.6 million. He pointed out that a lot of the improvement had to do with the work that the schools have done and that as a result of the assessment last time, some resources were redirected such as using internal auditors that conduct FTE audits. He also mentioned that he plans to enhance the Money Support Program considerably and assist the PTA to give them some insight on monitoring their funds.

The Activity Report was for informational purposes only; therefore, no action by the Audit Committee was required.

7. Review of Proposed 2010 Audit Plan and Tentative Budget

Mr. Montes de Oca made a power point presentation on the proposed 2009-2010 Audit Plan and Tentative Budget and briefly highlighted the areas of interest.

Several members made some inquiries regarding the reporting structure of the Offices of Civilian Investigative Unit (CIU) and Civil Rights Compliance (CRC).

Superintendent Carvalho informed the Committee that discussions with the Chief Auditor have been taken place in regards to CRC reporting to the Office of Human Resources, a more natural fit. Mr. Carvalho explained that in the upcoming July Board meeting a recommendation will be presented to the Board on this matter. He also explained that this change will be pursuant best practices, where CRC reports through the chain of command to the Superintendent.

After some discussion, the committee requested a periodic report summarizing the activities of these two units if this reporting line remains as is.

Ms. Amos requested that the members review the Proposed 2009-2010 Audit Plan and provide any suggestions where deemed appropriate.

Mr. Montes de Oca stated that he will poll the members to obtain their feedback.

8. Internal Audit Report – Selected Schools

Mr. Montes de Oca noted that this is the final report for this fiscal year. He mentioned to the Committee that he would like to award the principals with a congratulatory letter for a job well done which was the practice several years ago in his office, rather than only highlighting bad news.

Ms. Gonzalez recognized her internal audits staff, as well as the property audits staff to the Audit Committee for a job well done this year. She thanked Mr. Woodson, his staff, and the Region Offices for their support. She announced that 337 school audits were completed, and only eight schools were not audited during the year, but pointed out those schools will be audited.

Ms. Gonzalez presented the report and explained that it includes the audits of 66 schools, three of which had audit exceptions. She also explained that corrective actions have been discussed with the affected parties and the administration has committed to implement them.

Mr. Carvalho took advantage of the topic and recognized M-DCPS educators, noting that he is proud with their work. He went on to explain that this year M-DCPS has the highest number of A rated schools in its history and 90% of the schools received A, B or C grades. In addition, he noted that out of nine schools receiving an F grade the previous year, eight were taken out of that category.

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

9. Internal Audit Report – Audit of Graphics and Materials Production Department

Mr. Williams presented the report and explained that this audit focused primarily on identifying cost savings opportunities and operational efficiencies. He mentioned that the auditors also reviewed the level of utilization within the department, and noted that the revenues were not sufficient to cover the department's (Graphics) expenditures. Mr. Williams

made reference to page 2 of the report and noted that the summary highlights in detail some of the areas that need improvements.

Mr. Torrens explained that because of the emphasis to make this department self-sustained, he plans to work with the Office of Procurement to make more offices and schools aware of Graphics' services and thereby increase the revenues.

Ms. Amos noted that the District is satisfied with the department's services and asked, if greater efforts could be made for the District and schools to utilize more of the services provided by Graphics.

Mr. Torrens explained that his goal is to have as many jobs from the outside, as well as from in-house, be handled by Graphics.

Mr. Kemp asked if the department plans to be self-sustained is there a plan in place to present to the Committee on how to make up the difference of \$500,000 to \$600,000 a year. He believes that it would be an extraordinary task to complete in one year.

Mr. Torrens explained that various measures have already been taken to make this department self sustained and offered to bring a plan to the Committee.

Ms. Amos agreed to receive the plan and asked if monies have been recovered for the copy machines in question.

Mr. Torrens explained that some monies have been recovered and he will exhaust all options to recover the rest.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Ms. Hantman, that carried unanimously, to recommend that the Internal Audit Report – Audit of Graphics and Materials Production Department be received and filed by the School Board.

10. Internal Audit Report – Geotechnical, Materials Testing and Environmental Assessment Services Contract

Mr. Williams presented the report and explained that this audit was conducted at the request of the Superintendent of Schools, as a result of an investigation performed by the Office of the Inspector General. Mr. Williams also explained that the audit disclosed overbillings/overpayments amounting to roughly \$82,000 involving 29 work orders or 37% of the 79 work orders tested for Geotechnical Services. Mr. Williams stated that the overpayments were caused by practices which occurred due to various weaknesses in internal controls and noted that as of the date of this report, amounts recovered totaled \$5,588.

Mr. Torrens concurred with the report, but explained that in some instances the overpayments reflected the completion of additional work required as a result of new environmental requirements, or tasks that needed to be carried out but were not clearly identified as in-contract and were as a result individually negotiated as to cost. He noted that the amounts that were errors are being addressed.

Mr. Gonzalez expressed concern about the findings and urged that the weak controls need to be addressed.

Mr. Torrens agreed that controls need to be strengthened and noted that as a result, additional training has been provided to the project managers to further educate them in all aspects of the contracts.

Ms. Amos asked will there be a review by the administration of billings and payments made in years prior to this audit.

Mr. Torrens explained that they have begun to examine past invoices.

Mr. Williams stated that if the controls are put into practice most of the errors will be avoided in the future. He also stated that in addition to the overpayments, he is concerned with payments to a particular vendor where most of the errors were noted. Mr. Williams that in his opinion payments should be processed to this vendor.

Mr. Montes de Oca offered a follow-up report later in the coming school year on the status of monies recovered.

The Committee welcomed a future follow-up report and recommended transmitting the report to the Board.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Gonzalez, and carried unanimously, to recommend that the Internal Audit Report – Geotechnical, Materials Testing and Environmental Assessment Services Contract be received and filed by the School Board.

A non-agenda item, a report brought to the meeting by the Office of the Inspector General, and received by the Office of Management & Compliance Audits the day prior to the Audit Committee meeting, was discussed after agenda item 10, as follows:

Mr. Montes de Oca explained that this report deals with an open investigation and for that reason an advisory memorandum was issued instead of a draft report. In addition, he explained that since there has not been enough time for a formal response, Mr. Montes de Oca offered presenting this report to the committee to keep them abreast of this investigation, until the Audit Committee met again in September, when a response from the administration can be presented.

Ms. Amos added that this report is a matter of public record and it might be published in the media soon; therefore, she wanted to make the Committee aware of this issue. She explained that this investigation is of high importance and criminal activity is being alleged at a particular school construction site, where employees were being forced to receive pay under aliases names and other issues were noted.

Mr. Torrens explained that he also received this report late the day before and promised that a response will be prepared and will present it to the Audit Committee at their next scheduled meeting.

Ms. Hantman noted that she was not prepared to comment on this report because she had also received the report the day before, but asked if there is an audit planned for contractors compliance with rules.

Mr. Montes de Oca explained that the Office of Management and Compliance Audits' is presenting its tentative Audit Plan today, and members of the Audit Committee will be asked to provide input. He noted that he will be happy to incorporate any suggestions made to the effect into the audit plan.

The Superintendent expressed his support for strengthening the language in the contract and disbarment of any company which violates the law, including subcontractors who are found guilty.

After a lengthy discussion, it was agreed to bring a follow up report on this investigation to the Audit Committee at its September meeting.

FOLLOW-UPS

11. Follow-up Review Report – Audit of Miami-Dade School Police Department Overtime Payroll

Mr. Montes de Oca opened discussion by commenting that Chief Hurley deserves to be commended for a job well done. In addition, Mr. Williams echoes Mr. Montes de Oca's comments. Notwithstanding that the Audit department was pleased with results of the audit.

Chief Hurley thanked everyone for their kind words and noted that he could not have done it without the assistance of his colleagues and the direction of the Superintendent.

Superintendent Carvalho commends Chief Hurley as well.

Ms. Hantman expressed her contentment with another success story.

The Committee expressed its satisfaction with report.

A motion was made by Ms. Hantman, seconded by Mr. Thornburg, and carried unanimously, to recommend that the Follow-up Review Report – Audit of Miami-Dade School Police Department Overtime Payroll be received and filed by the School Board.

12. Follow-up Review Report – Opportunities to Improve the Exceptional Student Program

Mr. Montes de Oca commended Ms. Ava Byrne and Mr. Will Gordillo for the hard work they have done lately and for the late Ms. Brucie Ball for her contribution.

Mr. Williams was also pleased with the ESE Department. The department has taken appropriate actions to address the findings and recommendations in the prior audit report issued and are currently working to address the one recommendation that is not fully implemented. Mr. Williams commends management for its responsiveness and the high measure of accountability accepted in addressing the prior audit findings and recommendations.

Superintendent Carvalho explained that the ESE Department has done a great job on top of having to fully rectify the ESE/FTE mistake. It is recognized in this year's appropriation from Tallahassee and it was a \$24,000,000 boost for the school system and it was not easy to achieve. He explained that a declaration had to be made to Tallahassee to fight for a solution and a lot of hard work through thousands of records. Mr. Carvalho recognized Ms. Byrne, Mr. Gordillo and the ESE staff for a job well done.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Ms. Lobos, and carried unanimously, to recommend that the Follow-up Review Report- Opportunities to Improve the Exceptional Student Program be received and filed by the School Board.

13. Field Trips Liability

Mr. Clark, Risk and Benefits Officer, provided a very concise and clear update to questions posed by Committee members at the May 12, 2009 meeting, regarding the process for approving field trips and related liability issues.

Mr. Hantman thanked staff for addressing her concern that she expressed at the May Audit Committee meeting.

Mr. Thornburg asked if the school system is covered by a blanket provision for example, for a case where a field trip form was not submitted through the proper channels if the bus is involved in an accident is the system covered.

Mr. Clark responded yes and explained that there is a liability responsibility, for example, if a school arranged a field trip on their own with no proper documentation they will be covered.

After some more discussion the Committee members expressed satisfaction and thanked Mr. Clark and other administrators who contributed to this presentation.

This report was for informational purposes only; therefore, no action by the Audit Committee was required.

14. Update Proposed Audit and Finance Committee Board Rule

Ms. Amos suggested that the Subcommittee meeting for the Proposed Audit and Finance Committee Board Rule be scheduled for July, since the Committee has had an abundance of meetings during the month of June, due to its involvement with the search for a permanent Chief Auditor.

OTHER BUSINESS:

15. Continued Oversight of Enterprise Resource Planning (ERP)

This item was discussed in conjunction with Item #5.

16. Agenda Item H-3 (Direction of the Board Attorney's Office) from the January 14, 2009 School Board Meeting

Mr. Montes de Oca explained that this item was presented to the Ethics Advisory Committee at its meeting of May 29, 2009 and the Ethics Advisory Committee recommended it be brought to the Audit Committee since it entails an audit. He followed the Ethics Committee's advice and the request from Dr. Perez, to present item to the Audit Committee in conjunction with the Audit Plan for its consideration.

Mr. Garcia addressed the four inquiries mentioned on the agenda item that were of concern to Dr. Perez.

After some discussion, the Committee agreed to have the Office of Management & Compliance Audits conduct an audit of the Office of the School Board Attorney and the Committee recommended expediting the audit.

Adjournment

Before adjourning Ms. Amos announced that on Tuesday, June 30, 2009, the oral interviews will be conducted for the selection of the permanent Chief Auditor position and hopes that all members will be present.

She explained that customarily the Chair and Vice Chair elections are held in the June meeting, but unfortunately she knew in advance some absentees so she decided to hold the elections in the September Audit Committee meeting.

Ms. Amos adjourned the meeting at 3:27 p.m.

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