

***Miami-Dade County Public Schools
2015 ANNUAL REPORT AND
2016 ANNUAL AUDIT PLAN AND BUDGET***



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Ms. Susie V. Castillo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Ms. Lubby Navarro
Dr. Marta Pérez Wurtz
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to this Report:

Ms. Maria T. (Maite) Gonzalez, CPA
Assistant Chief Auditor, School Audits

Mr. Julio C. Miranda, CPA, CFE
Assistant Chief Auditor, Audit Investigations Division and Civilian Investigative Unit

Mr. Trevor L. Williams, CPA
Assistant Chief Auditor, District Audits

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS**





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

Miami-Dade County School Board
Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Susie V. Castillo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Lubby Navarro
Raquel A. Regalado
Dr. Marta Pérez Wurtz

September 22, 2015

The Honorable Chair and Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

Presented herein is the 2015 Annual Report from the Office of Management and Compliance Audits (OMCA) pursuant to School Board Policy 6835.

Miami-Dade County Public Schools is one of the 20 largest local governments in the United States with equivalence to a Fortune 500 company in the private sector. The District is required to conduct and/or oversee a broad array of business and operational functions in furtherance of its educational mission, ranging from areas such as Financial Management, Procurement, Construction, Maintenance, Food Service, Risk & Benefits Management, Transportation, Human Resources, Labor Relations, School Police and Information Technology.

Through its cost-saving efforts and wise decisions, the District has consistently improved its financial position over the last few years, and the precarious financial situation that it faced during the last several years has steadily improved. These gains have been achieved thanks to the leadership of the School Board, the stewardship of the Superintendent, and the hard work of the District administrators.

I am proud to say that our office has contributed in these efforts by performing the audits of the Value Adjustment Board and Property Appraiser's offices, which were requested by the Superintendent, endorsed by the Audit and Budget Advisory Committee (ABAC), and approved by the School Board. These audits identified several million dollars in savings and have already borne fruit by expediting the appeals of assessed property values and tax rolls certification timelines, which had resulted in collection shortfalls of over \$350 million since 2007.

Against this formidable backdrop, it will be our goal in FY 2015-16 to build on the audit success of previous years and continue providing value-added auditing services to assist the School Board, its Audit and Budget Advisory Committee, and the Superintendent and his administration in their governance, advisory, and executive capacities.

We will continue to work in a collaborative, but independent-minded manner, in accordance with applicable auditing standards and School Board Policies, to support the Leadership in continuing to guide and advance the provision of a high caliber education to our students and to operate the District efficiently, effectively and with transparency.

As described in the following pages of this 2015 Annual Report and Audit Plan, the OMCA will continue to focus its resources on auditing and allowable non-audit services that will provide the best return to the District in terms of: (1) ensuring sound, cost-effective internal controls; (2) providing recommendations to maximize efficiency and effectiveness; (3) enhancing transparency of tax funded programs; (4) helping to ensure receipt of all available revenues; (5) ascertaining propriety of expenditures; (6) determining compliance with applicable laws, rules, policies and best practices; and (7) identifying emerging risks.

The Audit Plan for 2016 was drafted by the OMCA and presented to the ABAC at its June meeting as a proposal. During the summer, we sought and obtained input from stakeholders and developed the final Plan for School Board approval.

Respectfully yours,


José F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

TABLE OF CONTENTS

Page
Number

2015 Annual Report

About Our Office	1
Role of the Chief Auditor and the Audit and Budget Advisory Committee.....	2
Audit and Budget Advisory Committee Membership	3
Organizational Chart	5
Audit Reports Presented by the Office of Management and Compliance Audits	6
School Audits	7
Property Audits	13
District Audits	14
Investigative Audits	19
Civilian Investigative Unit	23
External Audits.....	25
Financial Audits	25
Charter Schools Audits	26
Community Based Organizations Audits	27
Reports Issued by Other Entities.....	27
Non-Audit Services and Activities	28
Training Conducted by Civilian Investigative Unit	29
Staffing Issues	30
Internal Audit/Civilian Investigative Unit Comparative Budget	31

2016 Annual Audit Plan and Budget

Introductory Letter	34
Planning Process.....	35
School Audits Division	36
District Audits Division.....	38
Investigations	55
Charter Schools Audits Division	56
Other Non-Audit Services	59
Internal Audit/Civilian Investigative Unit Staffing	65
Internal Audit/Civilian Investigative Unit Comparative Budget	66

ABOUT OUR OFFICE

- ▶ The Office of Management and Compliance Audits was established by the School Board and operates pursuant to School Board Policy 6835 *Office of Management and Compliance Audits*.
- ▶ We are responsible for providing the School Board, the School Board Audit and Budget Advisory Committee, and the Superintendent of Schools with an independent and objective evaluation of the fiscal and operational activities in the school district.
- ▶ The above task is accomplished through the issuance of various audit reports that are filed as public records of the organization.
- ▶ We advise the administration on many issues related to the fiscal operations of the school system by participating in several committees, and also by issuing various correspondences dealing with fiscal and operational matters.
- ▶ An annual audit plan that governs the activities of the office is prepared, and often includes input from the administration, the School Board and Audit and Budget Advisory Committee.

OUR MISSION

Our mission is to provide an independent appraisal activity as a service to the School Board through the Audit and Budget Advisory Committee. Through the internal audit process, our office assists the Superintendent and management in maintaining an internal control environment that is conducive to safeguarding and preserving the school system's assets and resources, improving the general effectiveness of its operations, and assuring compliance with applicable laws, policies and procedures.

AUDIT OBJECTIVES

- ▶ Perform examinations of the financial records in accordance with generally accepted auditing standards.
- ▶ Ascertain the reliability and adequacy of accounting reporting systems and procedures.
- ▶ Perform an independent appraisal of the adequacy and effectiveness of internal controls.
- ▶ Assure compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
- ▶ Improve the efficiency of the school system's operations by providing recommendations in audit reports.
- ▶ Ascertain if school system assets are properly accounted for and safeguarded from loss.

ROLE OF THE CHIEF AUDITOR

- ▶ During the 2014-2015 fiscal year, the Chief Auditor and the Office of Management and Compliance Audits reported to the School Board and submitted all reports through the Audit and Budget Advisory Committee, the School Board's designee. To enhance the objectivity and effectiveness of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted, by the Chief Auditor, to the School Board, the Board's Audit and Budget Advisory Committee and the Superintendent of Schools at the same time.
- ▶ The Chief Auditor keeps abreast of new developments in the school system by attending the School Board meetings, Superintendent Cabinet meetings, and meetings of school system-wide communities.
- ▶ The Chief Auditor also acts as liaison between the school system and external auditors (federal, state, and independent auditors, and other outside audit entities).

ROLE OF THE AUDIT AND BUDGET ADVISORY COMMITTEE

- ▶ It advises on auditing activities at the school district. ***This includes the work and the activities of the internal auditors from the Office of Management and Compliance Audits.***
- ▶ It reviews the work of the external auditors, other auditors who provide financial audits on charter schools and other components of the School District; and the work of the State Auditor General.
- ▶ It also reviews proposed annual budgets, revenues, expense forecasts assumptions, and budget amendments. In addition, it receives periodic reports and consults with the Chief Financial Officer on the adequacy of the District's budget and tracking system. Finally, it makes recommendations to the School Board and the Superintendent on the quality and reliability of the budget, without opining on policies and programmatic implications.
- ▶ Its general purpose is to ensure that the overall audit coverage of Miami-Dade County Public Schools is sufficient and appropriate to protect the interests of the citizens of Miami-Dade County, Florida; to ensure that an adequate system of internal control has been implemented in Miami-Dade County Public Schools and is being effectively followed; and to assist and advise The School Board of Miami-Dade County, Florida, and the Superintendent of Schools in fiscal matters pertaining to the District.

AUDIT AND BUDGET ADVISORY COMMITTEE MEMBERSHIP

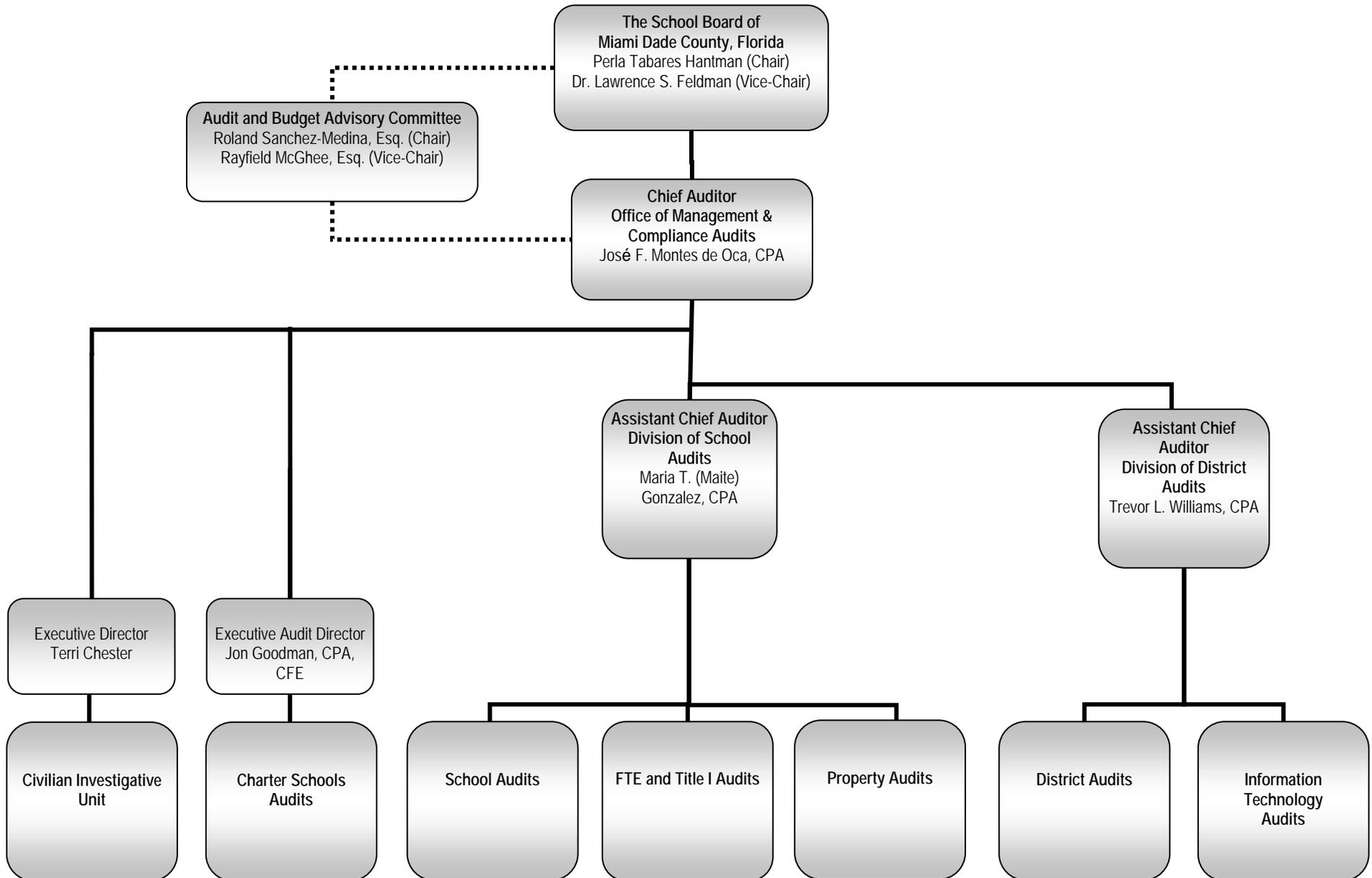
- The Office of Management and Compliance Audits is entrusted with the responsibility of providing service and logistical support to the ABAC, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the Chair of the ABAC, gathering the supporting documentation for distribution, and ensuring the smooth operation of the Committee affairs. During 2014-15 the ABAC was composed as follows:

Audit and Budget Advisory Committee Membership	Title	Professional Affiliation	Appointment Information and School Board Member
Mr. Roland Sanchez-Medina, Jr., Esq.	Chair	Law Partner Sanchez-Medina, Gonzalez, et al	Ms. Raquel A. Regalado
Mr. Rayfield M. McGhee, Jr., Esq.	Vice-Chair	McGhee & Associates LLP Attorney at Law	Dr. Wilbert "Tee" Holloway
Dr. Lawrence S. Feldman	Voting Member	School Board Member Representing the Board	Ms. Perla Tabares Hantman, School Board Chair
Ms. Raquel Regalado	Alternate Member	School Board Member Representing the Board	
Mr. Erick Wendelken, CPA	Voting Member	Tax Principal, Morrison, Brown, Argiz & Farra, LLC	
Mr. Kimrey Newlin	Alternate Member	Head of Credit Management for Florida, TD Bank	
Mr. Nestor Caballero, CPA MST CGAP	Voting Member	Managing Partner Alberni, Caballero & Fierman, LLP	Ms. Susie V. Castillo
Mr. Juan del Busto	Voting Member	Chairman and CEO of del Busto Capital Partners, Inc.	Mr. Alberto M. Carvalho, Superintendent of Schools
Mr. Joseph Gebara	Voting Member	PTA/PTSA President Miami-Dade County Council	PTA/PTSA President
Mr. David Schwartz	Alternate Member	President and CEO Florida International Bankers Association	
Ms. Marian L. Hasty, Esq.	Voting Member	Law Partner Gautier & Hasty, P.L.	Dr. Lawrence S. Feldman, School Board Vice Chair
Ms. Christa Dean	Alternate Member	President, E.V. Productions, Inc.	

AUDIT AND BUDGET ADVISORY COMMITTEE MEMBERSHIP (CONTINUED)

Audit and Budget Advisory Committee Membership	Title	Professional Affiliation	Appointment Information and School Board Member
Ms. Susan Marie Kairalla	Voting Member	Volunteer	Dr. Marta Pérez Wurtz
Mr. Jeff Kaufman	Alternate Member	President and CEO A & J Auto Brokers and United Food and Beverage	
Mr. Albert D. Lopez, CPA	Voting Member	Southeast Assurance Regional Managing Partner BDO USA LLP	Ms. Lubby Navarro
Mr. Ernie Saumell, CPA	Alternate Member	Assurance Partner, BDO USA LLP	
Mr. Christopher Norwood, J. D.	Voting Member	Public Affairs Professional The Norwood Consulting Group	Dr. Dorothy Bendross-Mindingall
Mr. Isaac Salver, CPA	Voting Member	Accounting/Business Advisory Professional Isaac Salver CPA Firm	Dr. Martin Karp
Mr. Stephen Korn, CPA	Alternate Member	President Stephen M. Korn, CPA	
Mrs. Judith M. Marte	Non-Voting Member	Chief Financial Officer	N/A

ORGANIZATIONAL CHART



AUDIT REPORTS PRESENTED BY THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

We have classified the audits prepared and presented by the OMCA into six categories:

- ▶ School Audits
- ▶ Property Audits
- ▶ District Audits
- ▶ Investigative Audits
- ▶ External Audits
- ▶ Non-Audit Services and Activities

A summary of the work performed by the Civilian Investigative Unit (CIU) is reported as part of the Investigative Audits, due to its investigative nature.



SCHOOL AUDITS

Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 *School Board Responsible for Internal Funds*, require school boards to provide for an annual audit of schools' internal funds.

The scope of our school audits was based on individual evaluations at each and every school, considering materiality, past audit findings/experience, size of school student body, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school. At all schools, however, we reviewed internal funds and property procedures, and conducted physical inventories of equipment with an individual cost of \$1,000 or more (refer to page 12 of this report for property inventory results).

For the FY 2014-2015 we reviewed the following at selected schools:

- ▶ **Payroll records and procedures at 100 schools (41%).** This consisted of a review of payroll procedures and documentation related to the preparation of usually the most current payroll records, which include time, and attendance and leave records. This also included a review of the internal controls over the payroll function at the schools, including the reporting of payroll.
- ▶ **The Purchasing Credit Card Program (P-Card) at 56 schools (23%).** This consisted of the review of the procurement credit card reconciliations and supporting documentation; and a test of expenditures to ensure they were in compliance with established procedures.
- ▶ **Data security management report audit assessment at 62 schools (25%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate.

SCHOOL AUDITS (CONTINUED)

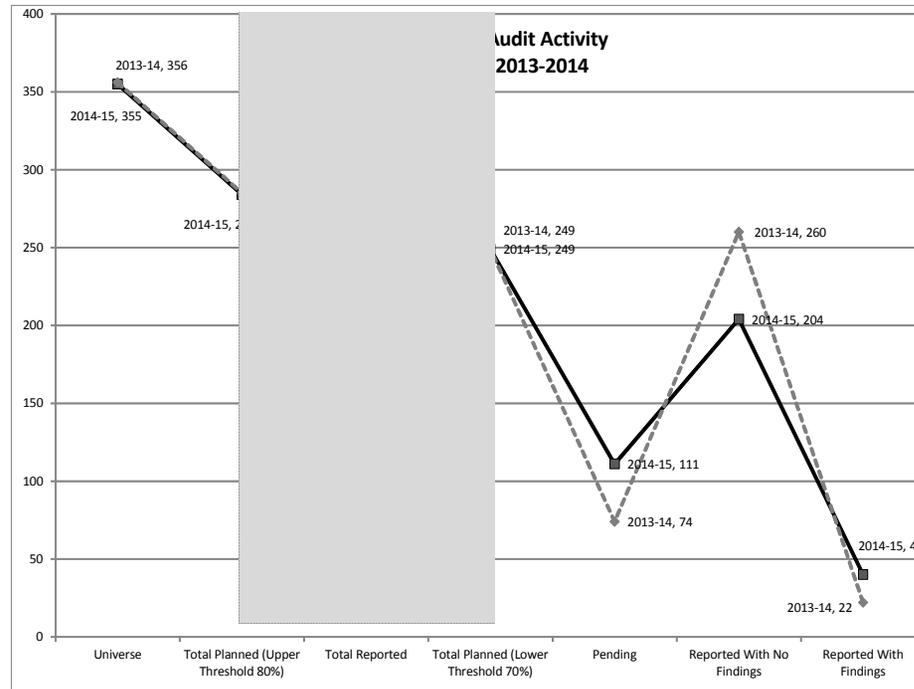
- ▶ **Title I Program audits were selectively conducted at 11 schools (5%).** At schools, principals administer Title I programs with oversight from the Regional Centers, and under general direction from the Title I Administration Office. To promote district and school-wide compliance with Federal, State, and district regulations and guidelines, and to ensure that appropriate evidence sources document compliance, the Office of Management and Compliance Audits incorporated the audit of this program into the school audits.
- ▶ **Full-Time Equivalent (FTE) audits were conducted at 68 schools (28%) based on audit criteria developed by this office.** FTE audits were incorporated as part of the school audits routinely performed by this office. Miami-Dade County Public Schools receives a significant portion of its State funding through the Florida Education Finance Program (FEFP). During our FTE audits, we examined student records to determine compliance with State law and State Board of Education rules relating to the classification, assignment, and verification of full-time equivalent student enrollment under the FEFP. A review of records was related to student attendance, Special Education, English Language Learners, Cooperative Education and Teacher Certification.



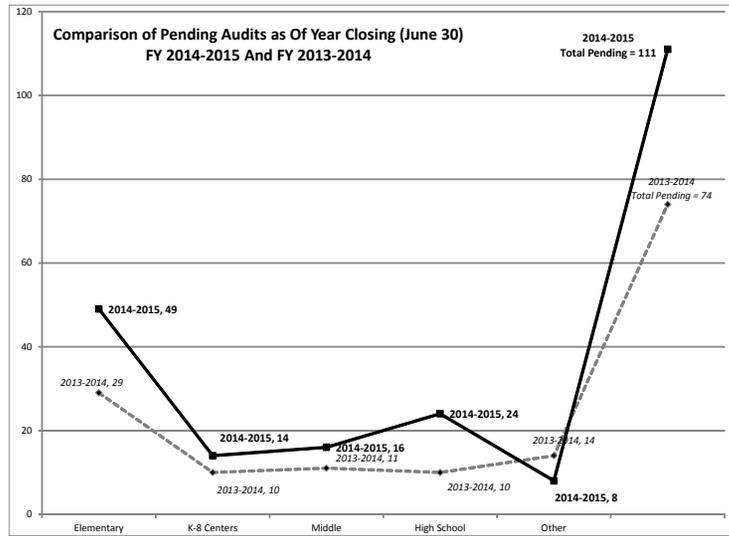
SCHOOL AUDITS (CONTINUED)

SCHOOL AUDITS--SUMMARY OF RESULTS

- ▶ We found that of 244 schools audited in FY 2014-2015, 204 schools (84%) conducted their financial affairs in accordance with district policies and maintained good internal controls. However, at 40 schools (16%), there were opportunities for improvement. The number of schools with exceptions increased when compared to prior year's results where, of 282 schools audited, 22 schools (8%) were cited.
- ▶ The Audit Plan for the 2014-2015 fiscal year mapped the school audit coverage at 70%-80% of the school sites, which we closely approximated by completing a total of 244 of 355 school audits to be performed for the 2013-2014 fiscal year. Our audit coverage represented 69% of the total audit population. During the 2013-2014 fiscal year, we audited 282 of 356 schools (79%).
- ▶ Compared to the previous year's audit activity (FY 2013-2014), the total number of schools audited decreased by 38 schools.



SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

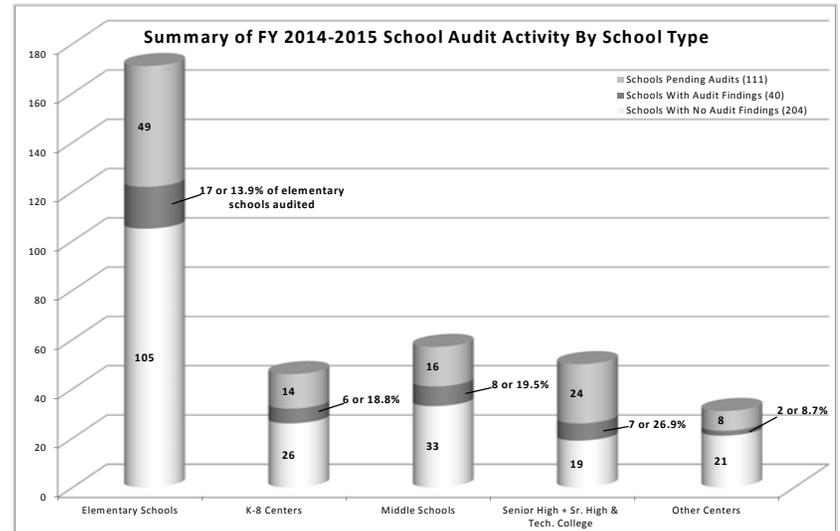


► We closed the 2014-2015 fiscal year with a total of 111 schools pending audits. These consisted of 49 elementary schools, 14 K-8 centers, 16 middle schools, 24 senior high schools and 8 other schools. For the 2013-2014 fiscal year 74 schools were pending audits at the close of the year. These included 29 elementary schools, 10 K-8 centers, 11 middle schools, 14 senior high and 10 other centers. A comparison as illustrated in the adjacent graph shows that for the 2014-2015 fiscal year, there was an increase of 37 in the number of schools not audited by the closing of the year.

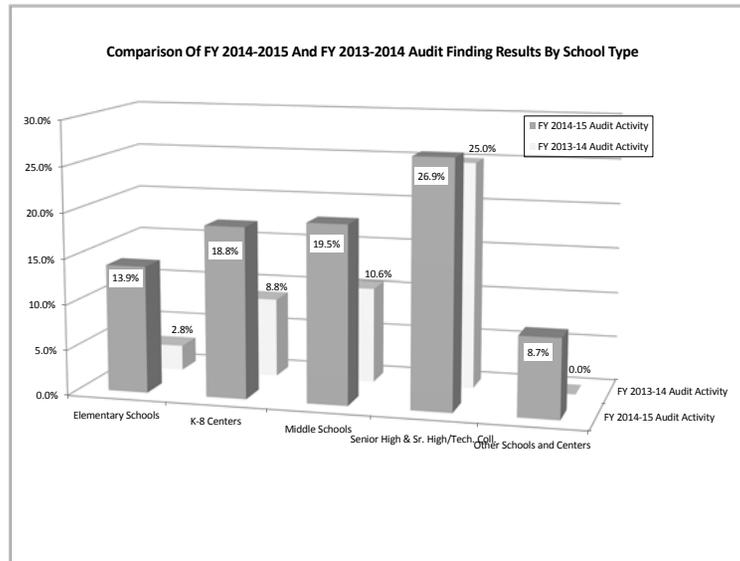
► The following graph depicts the breakdown of the school audit activity arranged by Elementary, K-8, Middle, Senior High and Other schools (Adult Education and

Other Centers), depending on whether the school had audit findings/no audit findings published, or the school audit was pending publication as of the end of the fiscal year. This graph also illustrates the 111 schools that were pending audits at year-closing.

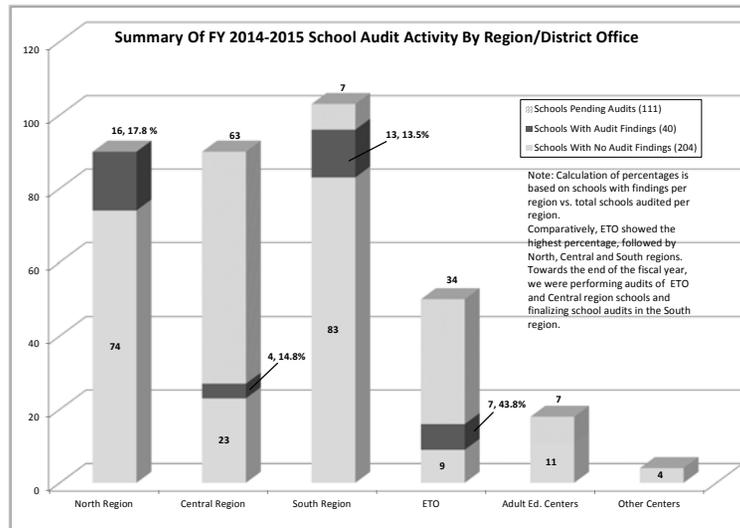
► As the graph shows, almost 45 percent of the 111 schools pending an audit consisted of elementary schools; followed by senior high schools, middle schools, K-8 centers, and other centers at percentages ranging from approximately 22 percent (for senior high schools) to 7 percent (for adult education and other centers).



SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

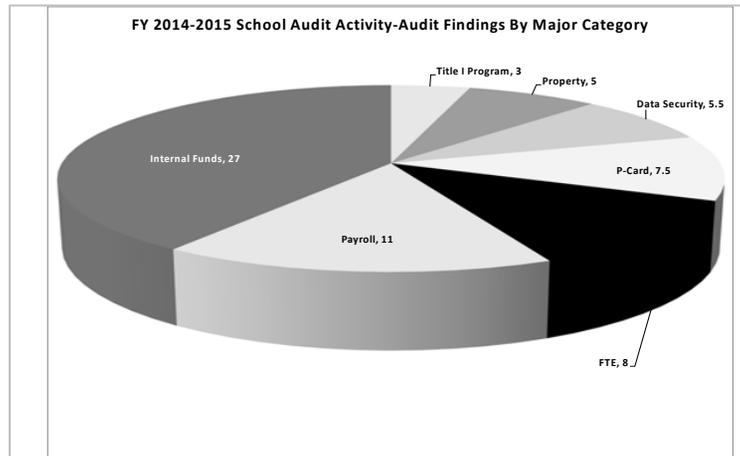


- ▶ The graph on the left shows that by comparing last year's and this year's results, senior high schools continue to require attention. However, it also shows a marked increase in the number of schools with exceptions at the elementary, K-8 centers and middle school levels. This situation will require additional monitoring and attention in the coming year to stem this tide.
- ▶ The breakdown of school audits reported by region in the graph below shows that, comparatively, the highest percentage of schools with audit findings was in the ETO, followed by the North, Central and South regions, respectively.



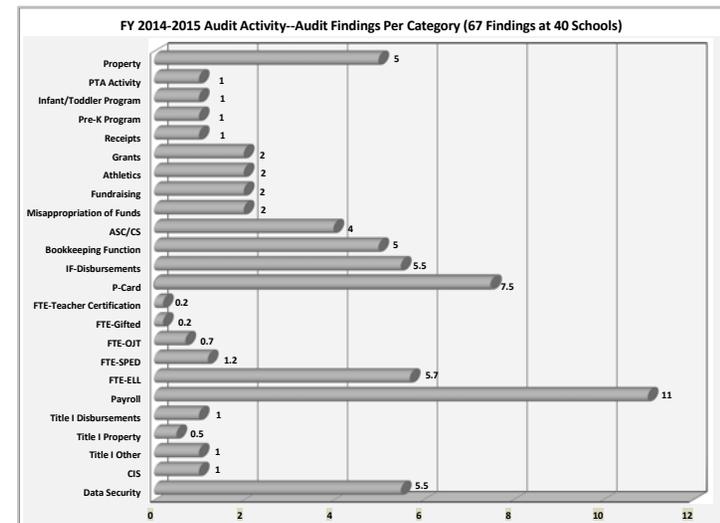
- ▶ At the end of the fiscal year, we were in the process of auditing schools in the Central region and the ETO; and finalizing schools in the South Region. We also had a few adult education centers to complete.
- ▶ School audits pending at year-end (111) will be published next year as two-year audits.

SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)



- ▶ During FY 2014-2015, school audit reports cited a total of **67** audit findings at **40** schools. In FY 2013-2014, school audit reports cited a total of **33** audit findings at **22** schools. During 2014-2015, findings were mostly in the area of *internal funds*, followed by *payroll* and *FTE*. In FY 2013-2014, most findings related to *internal funds*, *property* and *FTE*.
- ▶ Overall, the number of schools with findings and the number of individual findings have increased when compared to previous years, thus indicating that accountability and compliance mechanisms at school sites over internal funds and other audited areas require closer attention of management.

- ▶ A breakdown of the findings shows that, aside from those related to internal funds, non-compliance with payroll procedures requires continued attention from school site administration to ensure that going forward, time and attendance reporting requirements are adhered to with fidelity. As both charts illustrate, 11 findings in payroll were reported this fiscal year (as compared to only two in the previous year).



- ▶ FTE-related findings increased from four last year to eight this year. In addition, disbursements made with internal funds and the P-Card remain an area that requires management's attention to ensure that bidding procedures and certified minority requirements are observed when making individual purchases of \$1,000 or more. Regarding disbursements made with Title I funds, management must be cognizant of the restrictions placed on these funds to ensure they are spent as allowed by program guidelines (a total of 14 findings this year when compared to close to six findings in 2013-2014). Similarly, data security is an area where findings increased from one last year to close to five this year.

PROPERTY AUDITS

- ▶ The Office of Management and Compliance Audits is responsible for ensuring that the School District is accounting for all of its tangible property. At M-DCPS, the management of tangible property must comply with the guidelines established in the *Manual of Property Control Procedures*.
- ▶ Pursuant to Chapter 274.02 of the Florida Statutes, a complete physical inventory of all property shall be taken annually, be compared with the property record, and discrepancies must be identified and reconciled. Furthermore, the Florida Department of Financial Services, Rule Chapter 69I-73 establishes that "all property with a value or cost of \$1,000 or more and a projected useful life of one year or more shall be recorded in the local government's financial system as property for inventory purposes". Accordingly, our office conducts yearly inventories at each school of all tangible property with an individual cost of \$1,000 or more, the results of which are reported as part of the school audits.
- ▶ During FY 2014-2015, our Property Auditors visited almost 400 work locations (which included 350 school sites) and accounted for approximately 96,300 items with a combined cost of almost \$396.8 million. Approximately \$103,000 was reported as "unlocated" and close to \$110,000 was reported missing through the Plant Security Report process. The combined loss rate was 0.05%. This loss rate represents a decrease from prior year results. In FY 2013-2014, we visited close to 375 locations and reported \$380.7 million in property cost with a combined loss rate was 0.12%. For the prior year, losses amounted to approximately \$318,200 from the physical inventories and close to \$146,600 from Plant Security Reports. *The favorable variance in the property losses reported in FY 2014-2015 should encourage school site administrators to continue strengthening the safeguarding of equipment; and to maintain their inventories more efficiently to prevent similar losses in the future.*

PHYSICAL INVENTORY RESULTS 2014-2015 FISCAL YEAR					
School/Department	Total Property Cost	Total Property That Could Not Be Accounted For			Percentage Unaccounted For
		Per Physical Inventory	Per Plant Security Reports	Total	
North	\$ 58,796,558	\$ 14,279	\$ 6,730	\$ 21,009	0.04%
Central	47,597,841	24,374	31,946	56,320	0.12%
South	65,697,249	19,612	15,992	35,604	0.05%
ETO	36,905,941	33,512	50,689	84,201	0.23%
Other Centers	9,557,936	11,690	1,997	13,687	0.14%
District	177,263,813	-	2,179	2,179	< 0.01%
Totals	\$ 395,819,338	\$ 103,467	\$ 109,533	\$ 213,000	0.05%

DISTRICT AUDITS

The District Audits Division performs non-school audits, reviews and selected investigations. The areas of audit coverage by this division include the District support units/operations, such as Financial Services, Construction, Maintenance, Procurement, Transportation, School Operations, Food Services, Instructional Support, Human Resources, Information Technology Services, Risk Benefits, District Security, and Safety. The scope and objective of the audits and reviews performed by the District Audits Division usually necessitates the concurrent interaction of multiple support units/operations.

Nature of Work

- ▶ The engagements performed by this division are primarily performance/operational audits and reviews, which assess the operational effectiveness and efficiency of each unit or program, and compliance with established guidelines. Each audit and review conducted includes an operations assessment of the system of internal controls for each unit or program.
- ▶ From time to time, the administration will request an audit, investigation or review of a specific area of concern, such as a program, process, service, or contract. Where these areas of concern fall within the division's area of audit coverage, we will perform the requested service as time and resources allow. If the request is of such magnitude that will necessitate a substantial deviation from the approved audit plan, the request will be submitted to the ABAC and School Board for recommendation and approval, respectively.



DISTRICT AUDITS –SUMMARY OF RESULTS

Audit of Inventories as of June 30, 2014 (December 2014)

We audited the inventory balances as reported in the unaudited Annual Financial Report for the fiscal year ended June 30, 2014, for the following departments/units of Miami-Dade County Public Schools (M-DCPS): 1) Department of Food and Nutrition; 2) Stores and Mail Distribution; 3) Maintenance Materials Management; and 4) Department of Transportation.

Our audit consisted of observing the physical inventory counts, testing the counts, and verifying the prices at which the inventories were valued. In addition, we compared the physical inventory results to the perpetual inventory

Department/Unit	Perpetual Inventory Prior to Count	Adjustment to Perpetual	Adjusted Perpetual Inventory June 30, 2014	Unadjusted General Ledger	Adjustment to General Ledger	Adjusted General Ledger June 30, 2014	Annual Financial Report June 30, 2014
Textbook Support Services ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food & Nutrition ²	3,296,289	(60)	3,296,229	3,296,229	-	3,296,229	3,296,229
Stores and Mail Distribution ³	2,822,059	64,480	2,886,539	2,886,539	-	2,886,539	2,886,539
Maintenance Materials Management ⁴	1,946,163	9,980	1,956,143	1,966,972	(10,829)	1,956,143	1,956,143
Transportation ⁵	<u>1,422,503</u>	<u>20</u>	<u>1,422,523</u>	<u>1,475,402</u>	<u>(52,879)</u>	<u>1,422,523</u>	<u>1,422,523</u>
Total Inventory	<u>\$9,487,014</u>	<u>\$74,420</u>	<u>\$9,561,434</u>	<u>\$9,625,142</u>	<u>\$(63,708)</u>	<u>\$9,561,434</u>	<u>\$9,561,434</u>

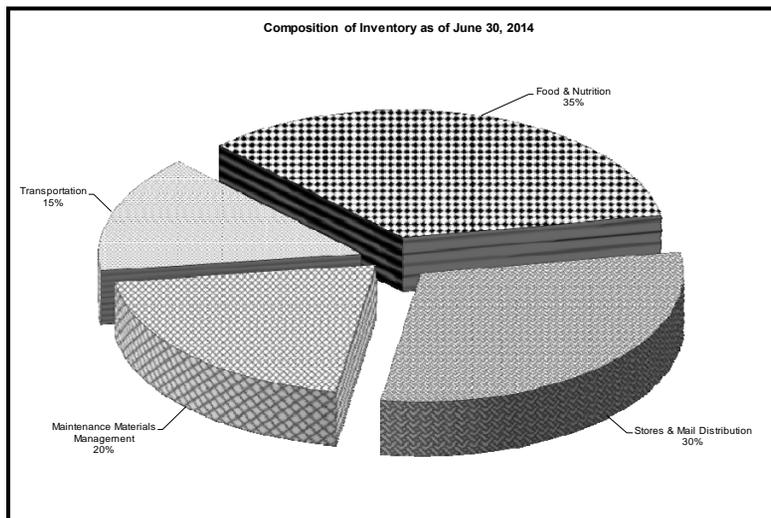
¹ No perpetual inventory system is maintained for textbooks. Also, refer to Exhibit A, Note 2 and Exhibit B.

² Adjustments consisted of \$(60) warehouse count adjustments.

³ Adjustments consisted of \$65,022 from inventory items received after the cut-off date, but before June 30, 2014, and \$(542) in department count adjustments.

⁴ Adjustments consisted of \$10,022 from inventory items received after the cut-off date, but before June 30, 2014, and \$(42) in department count adjustments.

⁵ Adjustments to perpetual was immaterial. Adjustments to general ledger consisted of \$(74,272) for repair parts, \$19,464 for tires and tubes, \$5,335 for unleaded fuel and \$(3,406) for diesel fuel. Although not material to the overall inventory balance, we have discussed our concerns about these adjustments with DOT.



records, to the general ledger balances, and to the amounts reported in the unaudited Annual Financial Report.

In our opinion, the inventories were fairly stated, in all material respects, in the unaudited Annual Financial Report. In addition, internal controls over the inventory management function were generally adequate. Year-end inventories increased 3% from \$9.3 million at June 30, 2013, to \$9.6 million at June 30, 2014.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Grants Management and Controls (September 2014)

Our audit found that a system of internal control is in place over the grants administration and management function. Also, we found no material exceptions concerning the propriety or documentation for approximately \$4.5 million of grant expenditures tested. However, we did find two instances of non-compliance with Federal grant guidelines. We also found areas to improve upon the existing control structure, such as updating the Grant Administration Handbook to reflect all current procedures. In addition, we recommended that district administration initiate a thorough review of the new OMB Uniform Guidelines scheduled for implementation in December 2014 and revise policies, procedures and processes, accordingly, to ensure compliance with the new guidelines.

Disparity Study – Phase 1 (September 2014)

Our audit found 16 of the 64 (25%) exhibits subjected to our detailed testing contained some inaccurate information, including contractors' race/ethnicity/gender classification. We also found a few inconsistencies in the location of some contractors' principal place of business and state licenses status. We must note that because we were initially provided with incomplete and inaccurate information that was uploaded to the data repository for our retrieval and with untimely access to requested data, we experienced unexpected delays in validating the Study's results. We recommended that district administration require MGT of America, Inc. to revise its draft disparity study report to correct the errors and inconsistencies disclosed in our audit report. We believe these changes would enhance the final disparity study report.

MGT of America, Inc., the consultants who conducted the study, concurred with our audit findings and agreed to incorporate them into its final report. Nevertheless, MGT has also noted that the audit findings do not change the outcome of the disparity study draft or its findings of disparity. We, however, do not express an opinion on the assertion made by MGT regarding the outcome of the disparity study.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Audit of the Miami-Dade County Value Adjustment Board (VAB) Appeals Process - Phase 1 (March 2015)

This audit was requested by the Superintendent to determine the cause for delay in the VAB appeals process. Due to a number of different factors, the results of this audit were delivered in two phases. This report which represents Phase 1 of our audit, focused on the operations of the VAB, applicable Florida Statutes, and rules of the Florida Department of Revenue (DOR) and identified certain inconsistencies between the Florida Statutes and rules promulgated by the DOR. In our opinion, with concurrence by the School Board Attorney's Office, some of these rules exceed the authority granted by Florida Statutes, and if followed to a large degree, could contribute to delaying the VAB appeals process. Accordingly, it is our recommendation that applicable DOR rules be modified in order to bring them in line with the enabling Florida Statutes.

We also recommended that the VAB develop specific procedures and systems to improve its operations and to comply with the Florida Statutes. We concluded that there are opportunities to improve the operations and efficiency of the VAB, including: updating the VAB's system of records; executing written agreements with Special Magistrates and utilizing them more efficiently; and allowing the School District the right to audit the expenses of the VAB. In addition, the excessive statutorily fixed rate of interest paid to taxpayers on overpaid taxes, provides an additional incentive to appeal property assessment and should be modified.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Audit of Miami-Dade County Value Adjustment Board (VAB) Appeals Process - Phase 2 (July 2015)

In March 2015, we issued our report on the first phase of our audit of the Miami-Dade County's VAB appeals process, reporting on the operations of the VAB and the need to effect revisions to certain VAB processes, Florida Statutes, and Department of Revenue Rules. This, our second and final report, which focused on the operations of the Miami-Dade County Property Appraiser's Office, relative to the VAB appeals process, communicated the results of our audit.

Our audit found that the VAB appeals process is unnecessarily delayed. Inefficient scheduling and staffing of VAB hearings by the VAB and Property Appraiser's Office, respectively, have directly contributed to these delays. In addition, the Property Appraiser's Office, at times, exerted a controlling influence over the VAB's scheduling of hearings, which resulted in the maximum number of cases and hearing boards not being scheduled during each day.

Our audit also found that while the VAB has the authority to invoice the School District for part of its operating expenses, the Property Appraiser's Office does not have such authority, but has invoiced the School District more than \$15 million dollars over the last several years for some of its expenses related to supporting the VAB process.

Finally, our audit concluded that historically, the Property Appraiser's preliminary estimated values have consistently exceeded the final values. The variances for Miami-Dade County values compare unfavorably with the state-wide variances.

INVESTIGATIVE AUDITS

- ▶ The Office of Management and Compliance Audits' Investigative Division handles cases of fraud and/or malfeasance discovered by our auditors in the course of their duties, as well as when requests for investigations are made by the Principals or other Administrators. In addition, our Investigative Division assists the investigative unit of the Miami-Dade Schools Police Department when requested. Our Assistant Chief Auditor-Investigative Division is responsible for overseeing this division.

- ▶ Regarding cases involving school audits this year, the Assistant Chief Auditor-School Audits Division and her staff conducted the majority of the audit fieldwork in collaboration with the Assistant Chief Auditor-Investigative Division and his staff.

- ▶ During 2014-2015, a total of eight audit investigations were conducted. Most results were reported as part of the audit findings. A summary of the investigations corresponding to Miami Northwestern Senior, Miami Southridge Senior and Pine Lake Elementary were included in this section last year; however, we are including them again because they were reported in this year's internal funds audit report of each school. A summary of these cases is as follows:

School Sites:

Pine Lake Elementary - On May 27, 2014, staff from the Office of the Controller and the former Principal discovered that the former Bookkeeper had attempted to "correct" a deficit balance in the General Fund-School Pictures account by making an inappropriate transfer of funds from a field trip account. Our office was immediately contacted for assistance. Our review disclosed that cash collections totaling approximately \$7,360 could not be traced to internal funds' deposit packages or to the bank account. Collections corresponded to the sale of school pictures and student admissions to a banquet and to an out-of-county field trip. Evidence pointed to the former Bookkeeper as the last person with custody of the funds before they went missing. We attempted to discuss the matter with her; however, she refused to meet with us. The incident was referred to M-DCPS Police and the State Attorney's Office and at the present time, the case is pending resolution from the courts. As a result of the misappropriation and the unauthorized transfer of funds, the field trip account closed the year with a \$(5,000) deficit balance after all vendors were paid (Internal Audit Report-Selected Schools-December 2014).

INVESTIGATIVE AUDITS (Continued)

Carol City Elementary - The Principal discovered that the Bookkeeper had under her custody six checks payable to the school and totaling approximately \$3,370 that had not been deposited in the school's checking account. Immediately upon this discovery, the administration from the Education Transformation Office contacted our office and requested an audit. Our review disclosed that all checks represented awards/donations. When questioned as to the reason for not depositing the checks, the Bookkeeper stated that for three of these checks she was supposed to follow up with the associated third parties; however, she forgot to do so. For the rest of the checks, she claimed they were found in a box left by the former Principal; however, the current Principal was not informed. *There was a change of Principal at this school the prior year.* During the audit, we contacted all third parties involved to confirm the status of these checks and request a replacement check on behalf of the school, if one had not been issued. Several replacement checks were received by the school after completion of the audit (Internal Audit Report-Selected Schools-December 2014).

Miami Southridge Senior - The Principal reported two incidents that were investigated by the Civilian Investigative Unit (CIU) of this office. Both incidents related to school staff that allegedly made purchases of athletic wear and fundraising items without obtaining the proper approvals. In addition to these incidents, at the request of the Principal, there was another investigation conducted by school audit staff regarding discrepancies in the revenues generated from the sale of athletic game tickets during the 2012-2013 fiscal year. These athletic activities were under the financial oversight of a former Athletic Director and Athletic Business Manager. All investigations noted above have concluded at this time. While results were inconclusive for the first CIU investigation related to several unauthorized purchases of athletic wear (because of conflicting information and insufficient evidence), the school had to bear responsibility for some of the liabilities incurred and pay vendors from the internal funds of the school approximately \$12,500.

Regarding the second CIU investigation, the former sponsor of the activity paid for the cost of the fundraising items, or approximately \$2,160. Regarding the results of the audit investigation, the former Athletic Business Manager admitted responsibility for the monetary shortfall of approximately \$950 discovered by us, which resulted in the employee's suspension from work without pay for several days. In addition, he was required to make restitution of the funds. As of the conclusion of the audit, staff changes in the affected areas have been made, the school hired a new Athletic Director and Athletic Business Manager, and all vendor-related liabilities have been cleared. (Internal Audit Report-Selected Schools-December 2014).

INVESTIGATIVE AUDITS (Continued)

Miami Northwestern Senior - A review of the financial records associated with cheerleading activities disclosed a monetary shortfall. The former activity sponsor admitted to "borrowing" part of the shortfall due to financial need. We referred the case to MDCPS Police and the State Attorney's Office, and presently, the case is set for trial. (Internal Audit Report-Selected Schools-January 2015).

Sweetwater Elementary - We investigated several allegations that stemmed from a citizen's complaint referred to our office by School Operations. Our audit substantiated that for several years, a staff member paid with Title I Program funds had not performed duties in alignment with the staff member's job description and responsibilities, and not in accordance with the corresponding collective bargaining agreement. In addition, this staff member was conducting fundraising activities and handling collections at the school site on behalf of the school's allied organization. The complainant further alleged that the Principal had compensated the staff member for part-time work not performed at the school site; and brought to our attention a payroll overpayment made by the District to the complainant's wife. While the evidence obtained did not point to part-time payroll practices that were fraudulent, we did corroborate the payroll overpayment. This was due to a payroll system functionality and human error, and our office has discussed the matter with the appropriate district and school site management for corrective action going forward. Furthermore, the payroll overpayment has been returned to the District. Other allegations made by the complainant related to the inappropriate work assignments of security monitors, unfair elimination of the complainant's wife position at the school, and unfair labor practices of the District were not substantiated by our audit. Regarding the unfair labor practices, we referred the matter to District representatives from Human Capital and Labor Relations for their consideration and response. According to them, that matter is closed since it was handled appropriately by the District (Internal Audit Report-Selected Schools-March 2015).

Gertrude K. Edelman/Sabal Palm Elementary - Our review of the Before/After School Care program activities for the 2012-2013 and 2013-2014 fiscal years disclosed many discrepancies with the recordkeeping and documentation supporting the collection of fees and student attendance, inadequate controls over the process for receipting program collections, and a departure from the fee payment schedule established by the District. The condition of the records prevented us from verifying the accuracy of the revenues generated by the program and posted to the accounts, and the available evidence was insufficient to establish that a misappropriation occurred; however, it was sufficient to establish that the former manager was negligent in the performance of her duties and the party responsible for the deficient recordkeeping of the program. This employee no longer works for Miami-Dade County Public Schools (Internal Audit Report-Selected Schools-June 2015 reported in July 2015).

INVESTIGATIVE AUDITS (Continued)

Miami Springs Senior High School –The Office of Management and Compliance Audits conducted three separate investigations based on three separate complaints referred to School Board Chair, the Honorable Ms. Perla Tabares Hantman, by the Inspector General of the Florida Department of Education. The complaints were made by a former teacher of Miami Springs Senior High School and alleged the misuse of Federal funds of English of Other Languages (ESOL) at Miami Springs Senior High School. During our investigations we did not encounter any evidence indicating intentional wrongdoing or misuse of ESOL funds by the school’s administration. The Florida Department of Education determined that the allegations in the complaint were properly and fully addressed and considered this matter closed.

CIVILIAN INVESTIGATIVE UNIT (CIU)

Mission

- ▶ To ensure equitable, effective, and efficient processing of allegations made against school personnel.
- ▶ To provide due process to all personnel subject to investigations regardless of gender, race, or ethnicity.
- ▶ To maintain the integrity and quality of personnel investigations in the District.

Duties

- ▶ Investigate *all serious non-criminal allegations* made against Miami-Dade County Public School personnel relating to School Board Policy violations that could result in disciplinary action.
- ▶ Maintain the confidentiality of all investigations and records under the provisions of applicable state laws and School Board policies.

Nature of Work

- ▶ Allegations that may be referred to CIU include but are not limited to: violations of the Code of Ethics, Standards of Ethical Conduct, inappropriate employee-student relationships, violence in the workplace (non-criminal), corporal punishment (non-criminal), and unacceptable use of the Internet and email policies. CIU does not investigate allegations of violation of civil rights.

Personnel Investigative Model (PIM)

- ▶ The model for conducting investigations of allegations made against employees of M-DCPS. This model, approved by the School Board of Miami-Dade County on November 17, 2004, includes time-sensitive parameters for processing and completing cases. Revisions to the model were approved by the School Board at its May 12, 2010 meeting to increase its effectiveness and streamline its processes. CIU staff has completed 149 cases this school year and 3 cases are pending to be closed during the 2015-2016 school year (please refer to next table).

CIVILIAN INVESTIGATIVE UNIT (CONTINUED)

Listed below is the information pertaining to cases assigned to CIU during FY 2014-2015:

- ▶ Two investigators processed a total of 152 cases during this school year.
- ▶ Of the 152 cases, 149 cases were completed, seven cases were returned to the Office of Professional Standards (OPS) to be revisited by the Incident Review Team (IRT) for reassignment, and three cases were pending closure at the end of the 2014-2015 fiscal year. The results of the investigations were as follows:

	Total	Probable Cause	No Probable Cause	Unfounded	Supplement- No Changes	Returned to OPS	Cases Pending to Be Closed in 2015 - 2016 FY
Cases Assigned to CIU during 2014-2015 FY	152	87	36	2	17	7	3

Case Terminology

- ▶ **Probable Cause** – It is more likely than not that the alleged incident occurred.
- ▶ **No Probable Cause** – The absence of probable cause.
- ▶ **Unfounded** – A baseless, unsupported accusation, not based on fact or sound evidence.
- ▶ **Supplement** – Following consideration of the written exception, if filed, the Office of Professional Standards may request a *supplemental investigative report*, if appropriate. If it was determined by CIU that the supplemental information provided did not alter the outcome of the investigation, then **no changes** would be made to the outcome of the investigation conducted by CIU. In instances where additional information is provided, via a supplemental investigative report by CIU, OPS will review the information and render a final determination.
- ▶ **Returned to OPS** – Case returned to OPS to be revisited by the IRT team for reassignment.
- ▶ **Cases Pending** – Cases that remained open at the end of the present school year, to be completed during the next school year.

EXTERNAL AUDITS

Financial Audits

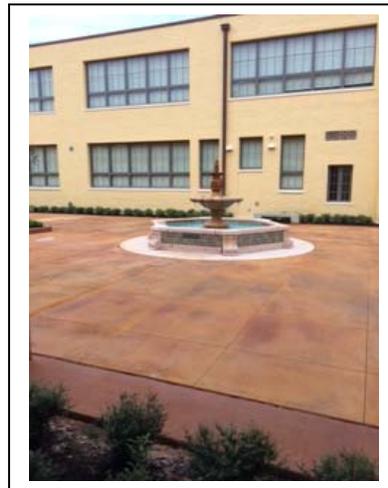
The following financial audits of the School Board and its component units were conducted by independent certified public accounting firms.

Audit	Audit Firm
Financial Statements for the Foundation for New Education Initiatives FYE 6/30/14 (December 2014)	Verdeja, DeArmas, CPA's
Annual Financial Statements, Educational Impact Fee Fund FYE 6/30/2014 (October 2014)	C. Borders – Byrd, CPA LLC
Audit of WLRN Television and Radio Station for FYE 6/30/14 (November 2014)	Rodriguez, Trueba & Co., CPA, PA
Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2014 (March 2015)	McGladrey LLP
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (November 2014)	McGladrey LLP
School Board of Miami-Dade County, Florida Single Audit Report FYE June 30, 2014 (November 2014)	McGladrey LLP

EXTERNAL AUDITS (CONTINUED)

Charter Schools

- ▶ Charter schools are required to submit independently audited financial statements each year. Our office reviews and presents these statements to the Audit and Budget Advisory Committee for discussion and transmittal to the School Board. During the year, we identified numerous charter schools which had precarious financial conditions, operations, or governance. We also identified several audits for which we found it necessary to challenge the schools and audit firms as to their adherence to applicable auditing and/or financial reporting standards.
- ▶ During the course of the year, we also worked with Charter School Operations, the School Board Attorney's Office, the Florida Department of Law Enforcement and the Miami-Dade County Property Appraiser, in charter school-related investigations. There were 126 charter schools operating during FY 2013-14, up from 120 the previous year. The audited financial statements of the 126 charter schools in FY 2013-14 were presented to the ABAC during FY 2014-15.



EXTERNAL AUDITS (CONTINUED)

COMMUNITY BASED ORGANIZATIONS (CBOs)

Providers of alternative education services are required to submit audited financial statements each year. Our office reviews and presents these audit reports to the Audit and Budget Advisory Committee for discussion and transmittal to the School Board. The following audits were received during the 2014-2015 fiscal year:

Community-Based Organizations	Audit Firm
AMIkids Miami-Dade, Inc. (September 2014)	Cross, Fernandez & Riley, LLP
Richmond-Perrine Optimist Club, Inc. (September 2014)	Nzeribe & Company, P.A.

REPORTS ISSUED BY OTHER ENTITIES:

OFFICE OF INSPECTOR GENERAL REPORTS (OIG)

The following reports, prepared by the Inspector General, were presented to the Audit and Budget Advisory Committee:

Audit
Sixth Annual Report FY 2013-2014
Final Report of Investigation On-going Misclassification by M-DCPS of EPIC Construction's Licensure Status for Contractor Prequalification and Contract Award Eligibility: SB-1314-1001 (October 2014)
Final Report – Outside Employment of Employee Nestor Yero While On Medical Leave of Absence Without Pay: SB1314-1009 (October 2014)
Final Report of Investigation: Improper Use of Mathematics Coach Position and False Gradebook Entries to Conceal Non-Compliance with Class Size Maximum Requirements: SB1314-1006 (March 2015)
Final Report of Investigation – Unauthorized Use of M-DCPS Vehicle to Travel Home During Work Hours: SB1415-1003 (May 2015)

NON-AUDIT SERVICES AND ACTIVITIES

Training Sessions to Principals and Asst. Principals

- ▶ During the session offered to newly appointed principals in November 2014, the Assistant Chief Auditor for the School Audits Division presented and discussed topics related to the school audit process; and proffered tips/best practices for sound fiscal management, compliance with applicable procedures, oversight over payroll, and the proper safeguarding of school assets.

Observation of District's Surplus Vehicle and Equipment Auctions

- ▶ Staff from the District Audits Division performed observations of the district's surplus vehicle and equipment auctions held on November 1, 2014 and May 2, 2015. We reviewed the guidelines, procedures and processes governing the auctions to determine whether adequate controls are in place. Our observations of the surplus vehicle and equipment auctions, disclosed no indications of impropriety. However, a change to our approach of providing this service resulted in us expanding the procedures performed and reclassifying that service as an attest service. As a result, we plan to issue an audit report on the surplus vehicle and equipment auctions conducted during FY 2015. The auctions were coordinated and managed by the administration of the district's Stores and Mail Distribution Department.

Facilities and Construction Support

- ▶ During the year, the district performed a number of different activities that are necessary to execute its building facilities needs. These activities included evaluating architects', engineers', construction managers' and contractors' responses to request for qualifications issued by the district; interviewing these entities; orienting these entities on the district's processes and guidelines; and negotiating with these entities for the purpose of executing a contract with the district. The activities also include holding various committee meetings for the purpose of prequalifying contractors and establishing participation goals for providers of contracted goods and services. Staff from the District Audits Division routinely provided support as non-voting members/advisors in these activities.

Training Conducted by Civilian Investigative Unit

- ▶ The Civilian Investigative Unit trained approximately 2,000 District Employees during the 17 training sessions throughout the year. The information disseminated is based on non-criminal investigative case scenarios. During these sessions, employees were informed of best practices and how to prevent a situation that could lead to an employee investigation for violations of School Board policies and procedures that included Code of Ethics, Standards of Ethical Conduct, and Student Supervision and Welfare.
- ▶ CIU conducted training regarding School Board policies and procedures for District employees for the Opening of Schools, that included 81 Principals and Assistant Principals, 164 Athletic and Activities school site personnel, 1559 Bus Drivers and Bus Aides, and 16 United Teachers of Dade Representatives, for a total of 1820 individuals in attendance.



Staffing Issues

In June 2015 some positions in the OMCA were reclassified to provide a more competitive salary basis, resulting in promotions to some staff members. We would like to thank the School Board and the administration for their support.

School Audits Division

During FY 2014-2015, three staff members were out on medical leave, two of them for a significant portion of the year. One auditor resigned in August 2014, while two full-time positions were filled in August 2014 and December 2014. During FY 2015-2016, one Staff Auditor position continues vacant due to a temporary internal promotion.

Non-School - District Audits Division

During FY 2014-15, another F/T position related to VAB audits was authorized and filled.

Property Audits Division

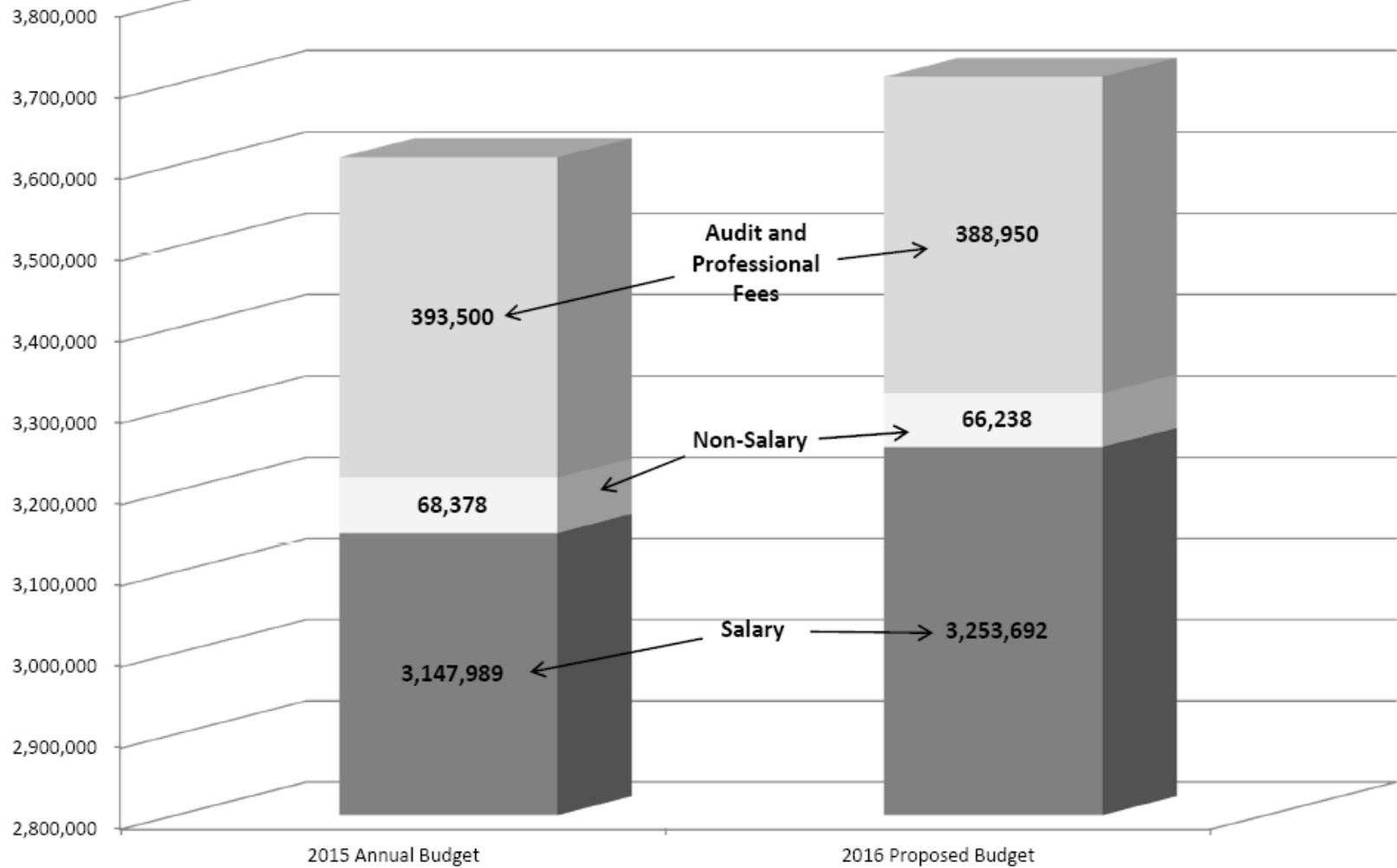
During FY 2014-2015, one full-time open position was filled.

Audits Investigative Division/Charter Schools

During FY 2014-15, one F/T position was created for the Division due to substantial growth in the charter school sector.



INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



2015-2016 Annual Audit Plan And Budget

**Office of
Management and
Compliance Audits**



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Ms. Susie V. Castillo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Ms. Lubby Navarro
Dr. Marta Pérez
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to this Report:

Ms. Maria T. (Maite) Gonzalez, CPA
Assistant Chief Auditor, School Audits

Mr. Julio C. Miranda, CPA, CFE
Assistant Chief Auditor, Audit Investigations Division and Civilian Investigative Unit

Mr. Trevor L. Williams, CPA
Assistant Chief Auditor, Operational and Performance Audits





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

Miami-Dade County School Board
Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Susie V. Castillo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Lobby Navarro
Dr. Marta Pérez
Raquel A. Regalado

June 30, 2015

The Honorable Chair and Members of The School Board of Miami-Dade County, Florida
Members of The School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

The proposed audit plan for fiscal year 2015-2016 was developed by supervisory personnel from the Office of Management and Compliance Audits applying a systematic risk assessment that assists us in deciding the audits that should be conducted this coming year. We will remain cognizant of issues, events and requests from the administration that transpire during the year, and may adjust the audit plan, with the recommendation of the Audit and Budget Advisory Committee and the approval of the School Board, to address these issues.

As in prior years, school audits will follow the plan whereby schools with a change of principal since the previous audit, and schools with high audit risk, will be given top priority. District-wide audits will encompass financial, construction and IT areas. We will continue our involvement in monitoring and reviewing transactions related to the 21st Century General Obligation Bond program, as well as our reviews of charter school financial statements, including the conduction of audits of charter schools that sometimes result from those reviews. We will also endeavor to assist the administration by reviewing and assessing new technology initiatives such as "Bring Your Own Device" to evaluate associated risks and controls.

Although the primary responsibility for the audit plan rests with the Chief Auditor and the Office of Management and Compliance Audits, we welcome and encourage input from the School Board and Audit and Budget Advisory Committee members, the Superintendent, and senior management, to make this plan complete and successful. Any changes or additions to the plan will be incorporated into its final version and brought to the September 2015 Audit and Budget Advisory Committee meeting for the Committee's consideration and recommendation. This plan will then be transmitted to the School Board for approval.

Respectfully yours,


José F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

Planning Process

Based on:

- **Budget Analysis**

- **Risk Based:**
 - **Materiality**
 - **Past Audit Coverage**
 - **Audit Risk**

- **Input from:**
 - **School Board**
 - **Audit and Budget Advisory Committee**
 - **Superintendent of Schools**
 - **Senior Management**



STEPS:

1. PROGRAMMATIC BUDGET ANALYSIS
2. PROGRAMMATIC RISK ASSESSMENT
3. MANAGEMENT INPUT FOR AUDIT PLAN
4. DEVELOP AUDIT PLAN
5. AUDIT PLAN APPROVAL

School Audits Division

Universe Comprised Of 354 Schools And Centers

- Areas of Audit Coverage
 - ✓ Financial statements of internal funds;
 - ✓ Payroll;
 - Credit card purchases;
 - Federal funds/Title I;
 - Florida Education Finance Program/FTE;
 - Selected aspects of school site IT and
 - Controlled Property items.

School Audits Division

Changes To Audit Coverage To Maximize Resource Allocation:

- Internal Funds to be audited at **70-80%** of schools due to reduction of staff in recent years.
 - Audit priority to schools with change of Principal, schools with prior year's audit exceptions and two-year audits
 - Selection based on audit risk
 - Selected group of low-risk schools to be audited every two years
- Audits of payroll, credit card, Title I, FEFP and selected aspects of school site IT to be conducted at selected schools.
- Property audits to be conducted at approximately 400 locations, to account for all items with an acquisition cost of \$1,000 or more.
- FTE audit coverage reduced for the first half of the fiscal year to accommodate assistance to State Auditors for the upcoming FEFP audit of MDCPS for the fiscal year ending June 30, 2015.

District Audits Division

Internal Audits

➤ Areas of Audit Coverage

- Various district support functions including:
 - ✓ Facilities and construction
 - ✓ Financial operations
 - ✓ Instructional support operations
 - ✓ Risk benefits operations
 - ✓ Food and nutrition
 - ✓ IT security and support

District Audits Division

Internal Audits

During the 2014-2015 fiscal year, the division's priority and concentrated focus was on the performance of its audits of the Miami-Dade County's Value Adjustment Board and Property Appraiser's Office. As such, other planned audits and reviews were placed on hold, as recommended by the Audit and Budget Advisory Committee and approved by the School Board. During 2015-2016, we will resume the planned audits and reviews outlined in last year's audit plan; in addition to two new audits.

- Audit of Internal Controls Over Selected Instructional Support Agreements and Contracts (In progress - resumed)
- Audit of Internal Controls Over the District's Self-Insurance Program (In progress - resumed)
- Audit of Inventories (In progress)
- Audit of Construction Program Manager's Contracted Services (Not started)
- Audit of District Procurement Operations (Not started)

District Audits Division

Internal Audits

- Audit of Designated Elements of Selected Construction Projects (Not started)
- Compliance: ESE and Risk Benefits (IDEA and HIPAA) (Long range)
- Audit of Miami-Dade Tax Collector's Commissions (New)
- Follow-up to the audit of the District's Procurement Card Program (New)

District Audits Division

Information Technology Audits

- SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (In progress - resumed)
- Security Controls – Bring Your Own Device (BYOD) (Not started)
- District Office Network & Information Security (Long range)

District Audits Division

Internal Controls Over Selected Instructional Support Agreements and Contracts (In Progress)

- In educating its students and providing support for instructional staff, various service providers are contracted by M-DCPS to deliver instructional content and support. During FY 2012-2013, the period covered by the audit, such services valued at approximately \$9 million were delivered through these contracts.
- Our audit objectives are to ensure that adequate internal controls are in place over the management and use of said contracts to determine service providers' compliance with contract deliverables and expectations, and to determine the propriety of the contracted services. We have completed our audit fieldwork and we are drafting the report.

District Audits Division

Internal Controls Over Selected Instructional Support Agreements and Contracts (In Progress - resumed)

- In educating its students and providing support for instructional staff, various service providers are contracted by M-DCPS to deliver instructional content and support. During FY 2012-2013, the period covered by the audit, such services valued at approximately \$9 million were delivered through these contracts.
- Our audit objectives are to ensure that adequate internal controls are in place over the management and use of said contracts to determine service providers' compliance with contract deliverables and expectations, and to determine the propriety of the contracted services. We are far along in completing our audit fieldwork and will issue our report upon completion.

District Audits Division

District's Self-insurance Program (In Progress - resumed)

- The District's self-insurance program is in its sixth year of operations. For the self-insurance fund, the District reported total operating expenses of \$332 million and operating income of \$37 million in its audited financial statements for the fiscal year ended June 30, 2014.
- The audit will focus on determining whether adequate internal controls and safeguards are in place over the program's operations, including its oversight of the third-party administrator, cost-control strategies, and plan information reporting. This audit was in its preliminary planning stage when postponed and we have resumed our audit efforts.

District Audits Division

Audit of Inventories

- Annually, as an augmentation to the work of the external auditors in their audit of the district's financial statements, we perform an audit of the inventories, which includes observing and test-counting the inventories held at the four inventory-holding units (Food and Nutrition, Transportation, Maintenance Materials and Stores and Mail Distribution) at the end of the fiscal year. The total inventory reported as of June 30, 2014, the last complete year of operations, was approximately \$9.6 million.
- We will review the each department's physical inventory counting procedures, observe the departments' personnel performance of the count, test count the departments' inventory quantities, verify the cost of the inventories, and determine whether adequate internal controls and safeguards are in place over the management of the departments' inventories at June 30, 2016.

District Audits Division

Audit of Construction Program Manager's Contracted Services (Not Started)

- At its May 2013 meeting, the School Board awarded a contract to Parsons Brinckerhoff, Inc., to provide program management support services for the District's capital program. It is anticipated that over the term of the contract, the program manager will manage a series of construction contracts valued at approximately \$1.2 billion.
- Our audit objectives are to evaluate the program manager's performance to ensure compliance with critical contract provisions. We will commence this audit when other ongoing audits are completed.

District Audits Division

Audit of District Procurement Operations (Not Started)

- During FY 2013-14, (the last complete year of operations), Procurement Management Services processed over \$480 million in purchases of goods and services. In addition, the department is responsible for letting numerous Requests for Information (RFI), Request for Proposals (RFP), Request for Qualifications (RFQ), bids and contracts. A Chief Procurement Officer was recently hired and the District administration has asked us to conduct an audit to provide her with an assessment of the department.
- We will evaluate the procurement processes to ensure that internal controls are adequate, that the necessary safeguards are in place and ascertain the effectiveness of the processes.

District Audits Division

Audit of Designated Elements of Selected Construction Projects (Not Started)

- The FY 2013-14 to 2017-18 Five Year Plan contains approximately 200 construction projects totaling approximately \$581 million for FY 2012-13 to 2014-15 and 57 additional projects totaling \$268 million, for FY 2015-16, all of which are funded from GOB monies.
- Our audit objective is to review various selected elements of the award, design and construction processes for selected projects to determine whether adequate internal and management controls are being implemented. We will commence this audit when other ongoing audits are complete.

District Audits Division

Compliance: ESE and Risk Benefit (IDEA and HIPAA) **(Not Started)**

- The district collects and stores, from its students and employees, certain information that is protected under the Federal Individuals with Disabilities Education Act (IDEA) and Health Insurance Portability and Accountability Act (HIPAA). Non-compliance with the patient protection aspects of these acts may result in severe consequences for the violator.
- We will evaluate the processes for collecting and storing these data to ensure that controls are adequate and the necessary safeguards are in place to ascertain compliance with the applicable provisions of these two acts. We will commence this audit when other ongoing audits are complete.

District Audits Division

Information Technology Audits

SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (In Progress - resumed)

- The District's successful implementation of SAP brings with it a new set of risks, including appropriate management of systems access and security controls. In addition, some legacy systems continue to handle critical functions. Until those systems are retired, continued monitoring of appropriate access is required.
- We will review the procedures and methods used to grant systems access to ensure that only authorized employees are able to review and/or modify data. Procedures for periodic monitoring and reconciliation of access based on need and roles will also be examined for both SAP and legacy. The fieldwork on this audit is on hold due to other audit priorities, but will be resumed when those priorities are completed.

District Audits Division

Security Controls – Bring Your Own Device (BYOD) Not Started)

- The use of Smart phones, tablets, and other network-capable mobile devices have become established within M-DCPS as an integral means of communicating, accessing real-time information, and supporting the mission and educational goals of both staff and students. These devices also introduce new risks to the organization.
- Our objective will be to evaluate existing mechanisms for mitigating risk, including network segregation strategies, device protection (virus/malware), managing loss/theft of devices, privacy controls/filtering, over-the-air (OTA) device management and compliance with standards, policies, and best practices. We will commence this audit when other ongoing audits are complete.

District Audits Division (Long Range Audit)

ITS - Information Technology Security Controls

- The District relies extensively on information technology (IT) systems and electronic data to support its programs. Accordingly, the security of these systems and data are essential to avoiding disruptions in critical operations, data tampering, and inappropriate disclosure of sensitive information.
- Our objective will be to evaluate and report on general IT controls, including: Security Management, Access Controls, Configuration Management, Separation of Duties, and Contingency Planning.

District Audits Division

AUDIT OF MIAMI-DADE TAX COLLECTOR'S COMMISSIONS (NEW)

- Pursuant to Florida Statute 192.091, tax collectors are entitled to receive commissions upon the amount of all real and tangible personal property taxes and special assessments collected and remitted on behalf of each taxing district and special assessment district. The commissions are equivalent to a) three percent on the amount of taxes collected and remitted on an assessed valuation of \$50 million, and b) two percent on the balance, and c) actual costs of collection, not to exceed two percent, on the amount of special assessments collected and remitted. The amount of taxes collected and remitted to Miami-Dade County Public Schools for the 2012-13 and 2013-14 fiscal years were approximately \$1.52 billion and \$1.61 billion, respectively.
- Our audit objective is to determine the accuracy of the commissions charged/held back by the Miami-Dade Tax Collector, ensuring that the calculations used conform to Section 192.091 F.S.

District Audits Division

FOLLOW-UP TO THE AUDIT OF THE DISTRICT'S PROCUREMENT CARD PROGRAM (NEW)

- In June 2012, the OMCA issued the Internal Audit Report on Internal Controls Over M-DCPS Purchasing Card Program (P-card) for Non-School Site Locations. That report identified areas of weaknesses in internal controls needing improvement and offered 11 recommendations.
- During FY 2013-14, the net value for procurement card transactions totaled approximately \$17.6 million. During the first 11 months of FY 2014-15, the net value for procurement card transactions totaled approximately \$15.5 million.
- Our audit objectives are to follow-up on the prior period audit recommendations to determine the extent of their implementation and to determine whether adequate internal controls are in place and functioning over the use of procurement credit cards.

INVESTIGATIONS

Perform Forensic Audits In The Following Areas:

- Misappropriation of funds
- Missing inventory/equipment
- Payroll fraud and other fraudulent activity
- Charter schools misfeasance/malfeasance
- Attestation services or similar audit services related to charter schools, as requested by the School Board, Audit and Budget Advisory Committee and/or District administration

Civilian Investigative Unit:

- Conduct non-criminal investigations as agreed upon by team evaluating complaints and referrals
- Assist in criminal investigations resulting from audits or as a result of other activities

Support And Collaborate With:

- Miami-Dade School Police
- Office of Professional Standards – OPS
- Other district offices
- State Attorney's Office
- Office of Inspector General – OIG

Charter Schools Audits Division

Charter Schools Audits/Investigations

- Audit of Keys Gate Charter High School (Finalizing Audit Report)
- Charter Schools Start-Up and Continuation Grants and the Practice of Nesting (Carryover)

Charter Schools Audits Division

Audit of Keys Gate Charter High School (KGCHS) **(Finalizing Audit Report)**

As of June 30, 2013, KGCHS had a Total Net Position deficit of \$(2,609,471), a Total Fund Balance of \$258,494 and an Unassigned Fund Balance position of \$5,385. Operationally, the School had a deficit of \$(1,087,488) in its Statement of Activities and a deficit of \$(888,345) in its Statement of Revenues, Expenditures and Changes in Fund Balance.

Due to concerns about this school's financial viability and certain real estate and financing activities, identified during our annual review of the School's June 30, 2012 and 2013, audited financial statements, we will conduct an audit pursuant to the "right to audit" clause in the charter contract between the School and the School Board.

The main objective and scope of the audit will be to gain an understanding of fairly complex real estate arrangements and financing transactions, and communicate the results to our School Board, ABAC and the District's Administration in accordance with the sponsor's statutory oversight responsibilities.

Charter Schools Audits Division

Charter Schools Start-up and Continuation Grants and the Practice of Nesting (Carryover)

Florida public charter schools are eligible to receive pass-through competitive grants issued by the U.S. Department of Education through the Charter School Program (CSP) for planning, program design, and initial implementation of the charter school; and for supporting the dissemination of successful practices and other information about charter schools.

Nesting is a practice whereby two charter schools are housed in one location, often with one principal and sharing resources and key staff. Concerns were voiced by the ABAC and other entities that the CSP grants have been vulnerable to abuse through Nesting. The Florida Department of Education and Miami-Dade County Schools have made changes over the past few years to the process of determining, distributing, and monitoring CSP grant funds, and monitoring nested charter schools.

The objectives of this audit will include reporting on the changes, trends and current conditions of the CSP grants and Nesting activities. We will also review other audits and monitoring activities of the CSP grants, including the OMB Circular A-133 Single Audit.

Other Non-Audit Services

Community Based Organization Fiscal Review

- During FY 2014-2015 the District contracted with two (2) community-based organizations primarily for alternative education. We will review audits submitted by these entities and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.

Charter Schools Fiscal Review

- During FY 2014-2015, the District sponsored 125 charter schools with student enrollment of approximately 56,000 and estimated revenue in excess of \$400 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety, and academic performance of these charter schools. We will review independent financial audit reports submitted by these charter schools and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.
- We will also facilitate the District's process for addressing charter schools which meet one or more conditions of the financial emergency statute, or are deemed to be in a state of deteriorating financial position.

Other Non-Audit Services

Participation On Various Committees (As Non-voting Member):

- Charter Schools Technical Assistance Team
 - Conduct initial technical review of charter school applications
- Charter Schools Application Review Committee
 - Evaluate charter school applicants to recommend approval/denial to Superintendent of Schools
- Charter Schools Contract Review Committee
 - Negotiate contract terms of approved charter school applications and amendment to charter school contracts
- Consulting Contract Review Committee
 - Evaluate contract terms
- Construction Services Selection Committee
 - Evaluation of architects, engineers, construction managers, and consultants proposals to recommend approval to Superintendent of Schools
- Construction Contractor Pre-qualification Committee
 - Evaluation of contractor applicants to recommend approval/denial for prequalification to Superintendent of Schools

Other Non-Audit Services

Participation On Various Committees (As Non-voting Member) – continued:

- Small/Micro Business Enterprise (S/MBE) Program Goal setting Committee
 - Establish goals for participation in the SBE program.

- 21st Century Schools Bond Advisory Committee
 - Provide oversight and guidance in executing the 21st Century Schools GOB Capital Program.

Other Non-Audit Services

Review of External Audit Reports

- Certified financial statements are provided by other agencies per contract and School Board policies.

Coordinate And Provide Contract Oversight Of External Auditors

- District financial statements, Single Audit, Impact Fees, WLRN, Magnet Education Choice Association, Inc., Miami-Dade Coalition for Community Education, Inc., Dade Schools Athletic Foundation, Inc. and The Foundation for New Education Initiatives, Inc. all require audits from external CPAs. We will coordinate the selection of external auditors, review their audits and submit them to the Audit and Budget Advisory Committee for its review, input and transmittal to the School Board.

Other Non-Audit Services

Prior Audit Recommendations Follow-Up

- Audit follow-up is a function of the internal audit process and is required by School Board Policy 6835 *Procedures-Performance of Auditing Activities and Communication of Results*.
- Implementation of prior audit recommendations will continue to be monitored and reported to the Audit and Budget Advisory Committee.

Other Non-Audit Services

Advisory Role To M-DCPS Management

- Assist management in maintaining an internal control environment that is conducive to safeguarding and preserving the school system's assets and resources, improving the general effectiveness of its operations, and assuring compliance with applicable laws, policies and procedures. Particularly, the School Audits Division provides recommendations to principals on best practices and financial procedures.

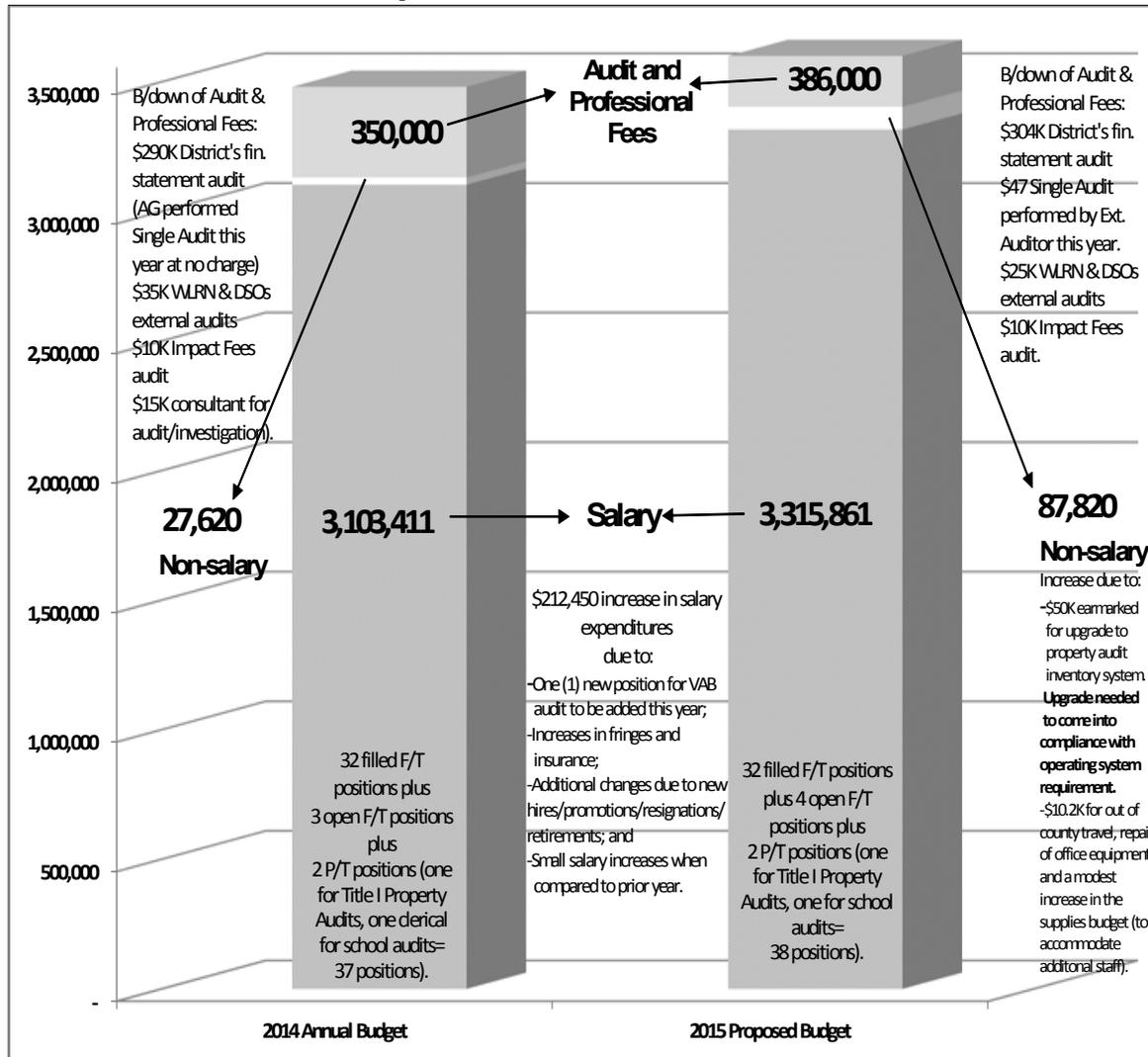
INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT STAFFING

Resource Allocation	As of June 30, 2014	As of June 30, 2015	Δ	Comments
Chief Auditor & Administrative Support Staff	3	3	No Change	
School Audits Division	14	15	+7%	Three staff members out on medical leave during 14-15; two of them for a significant portion of the year; one resigned in August 2014. Two full-time positions filled in August 2014 and December 2014. One Staff Auditor Position vacant due to a temporary internal promotion to fill in 2015-16. See Note (2).
Non-School - Operational & Performance Audits Division	4	5	+25%	One F/T position related to VAB audit was filled this fiscal year. One new F/T position to fill in 2015-16. See Note (3).
Information Technology Division	1	1	No Change	
Property Audits Division	4	5	+25%	One F/T open position was filled in 2014-2015. See Note (4).
Audit Investigative Division/Charter Schools	3	4	+33%	For 2014-15, one F/T open filled in October 2014. Division to decrease by one F/T position in 2015-2016. See Note (5).
Civilian Investigative Unit	3	3	No Change	No change in 14-15. However, one new F/T position to fill in 2015-16. See Note (6).
Totals	32⁽¹⁾	36		See Note (7).

Notes:

- (1) Office staffing at end of 2013-14 based on 32 actual filled F/T positions and four (4) open F/T positions and 2 P/T positions.
- (2) Two Full-Time (F/T) audit positions fully dedicated to FTE audits and one F/T audit position dedicated to Title I audits. One vacant F/T position to fill in 2015-2016.
- (3) Value Adjustment Board (VAB) dedicated F/T position was filled this year and one for GOB pending to fill in 2015-2016.
- (4) In addition to four (4) F/T positions, one P/T position to conduct property audits of equipment purchased with grant funds. One P/T position to assist with general work eliminated in 2014-2015.
- (5) One F/T position from this Division will be eliminated in August 2015-2016 after incumbent retires. Position will not be filled.
- (6) Division to increase by one F/T position in 2015-2016.
- (7) Office staffing at June 30, 2015 based on 36 actual filled F/T positions and (3) open F/T positions for a total of 39 F/T positions and 1 P/T position.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



Tentative budget for FY 2014-2015 includes \$386K audit fees for financial audit of the District, external audits of WLRN-Radio & TV Stations, Direct Support Organizations and Impact Fees. Single audit to be conducted by external auditor this year (\$47K). Salary increases due to one additional position for the Value Adjustment Board (VAB) audit and upward adjustments to salary/fringes in 2014-15. Non-Salary expenditures includes \$50,000 for upgrades to the property inventory system. This comprises the scanners used by the property auditors and software to interface with district and property accounts. Upgrade is required to come into compliance with requirements of the operating system. Budget for out of county travel added this year.

MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

Federal and State Laws

The School Board of Miami-Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964 as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA) as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963 as amended - prohibits gender discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA) - Prohibits discrimination against employees or applicants because of genetic information.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 205.07 (Florida Statutes), which stipulate categorical preferences for employment.

In Addition:

School Board Policies 1362, 3362, 4362, and 5517 - Prohibit harassment and/or discrimination against students, employees, or applicants on the basis of sex, race, color, ethnic or national origin, religion, marital status, disability, genetic information, age, political beliefs, sexual orientation, gender, gender identification, social and family background, linguistic preference, pregnancy, and any other legally prohibited basis. Retaliation for engaging in a protected activity is also prohibited.

Revised: (07-11)

2015-2016 Annual Report



MIAMI-DADE COUNTY PUBLIC SCHOOLS
Office of Management and Compliance Audits
1450 N.E. 2nd Avenue, Room 415
Miami, Florida 33132
Tel: (305) 995-1318 • Fax: (305) 995-1331
<http://mca.dadeschools.net>

