

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
SEPTEMBER 6, 2006**

The School Board Audit Committee met on Tuesday, September 6, 2006 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Carlos M. Trueba, Vice Chair
Ms. Perla Tabares Hantman, Board Member
Ms. Betty Amos
Ms. Lidia Monzon-Aguirre
Mr. Manuel A. Gonzalez
Mr. Willie Kemp
Mr. Robert Stein
Mr. Nick Tootle
Mr. Robert W. Schomber

Non-Voting:

Mr. Allen M. Vann

Members Absent:

Mr. Jeffrey B. Shapiro, Chair
Mr. Vidal Marino Velis

Call to Order

Mr. Carlos M. Trueba, Vice Chair called the meeting to order at 12:45 p.m.

Introductions

Mr. Trueba greeted everyone and asked them to introduce themselves, and they did. The following persons were present:

Ms. Evelyn Langlieb Greer, Board Member
Dr. Martin Karp, Board Member
Ms. Ana Rivas Logan, Board Member
Dr. Marta Perez, Board Member
Ms. JulieAnn Rico, School Board Attorney
Ms. Ofelia San Pedro, Deputy Superintendent
Ms. Carolyn Spaht, Chief of Staff
Mr. Alberto Carvalho, Associate Superintendent
Mr. Freddie Woodson, Associate Superintendent
Ms. Brucie Ball, Assistant Superintendent
Mr. Luis M. Garcia, Sr. Assistant Board Attorney
Ms. Mariaelena Vidal, H.R. Officer

Ms. Rose Diamond, Chief Facilities Officer
Ms. Maria B. Diaz, Adm. Asst. to Dr. Perez
Ms. Ana Lara, Adm. Asst. to Ms. Hantman
Ms. Vivian Lissabet, Adm. Asst. to Ms. Logan
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Mr. Alberto Rodriguez, Region Supt., Region I
Ms. Enid Weisman, Region Supt., Region II
Mr. George Nuñez, Region Supt., Region III
Ms. Neyda G. Navarro, Region Supt. Region VI
Ms. Silvia R. Rojas, Treasurer
Ms. Connie Pou, Controller
Ms. Daisy Naya, Assistant Controller

Mr. Jose F. Montes de Oca, Asst. Chief Auditor
Mr. Christopher Moran, Operations Officer
Mr. Jaime Torrens, Inspections Officer
Mr. Robert Brown, Administrative Director
Dr. Janice Cruse-Sanchez, Adm. Director
Ms. Cynthia Gracia, Administrative Director
Mr. Paul J. Greenfield, Administrative Director
Mr. Jerry Klein, Administrative Director
Ms. Mary Lee Snipes, Administrative Director
Ms. Beatriz Zarraluqui, Administrative Director
Mr. Julio Miranda, District Director
Ms. Rose L. Martin, District Director
Mr. Trevor Williams, District Director
Mr. Edward Brown, Executive Director
Ms. Carol Erbs, Asst. Risk/Benefits Officer
Mr. Orlando Alonso, Director
Ms. Charlene Burks, Director
Mr. Joseph X. Flynn, Director
Mr. Ivo Gomez, Director

Ms. Norry Lynch, Director
Mr. Kenneth Rogers, Director
Ms. Tamara Wain, Director
Ms. Dina Pearlman, Supervisor
Mr. Norberto Ferradaz, Supervisor
Mr. Lawrence Rubio, Supervisor
Ms. Dulce Castro, Coordinator III
Mr. Michael Hernandez, Senior Auditor
Ms. Nelly Fuentes-Lacayo, Audit Coordinator II
Ms. Veretas Fernandes, Staff Auditor II
Ms. Patricia Robinson, Staff Auditor II
Ms. Libby Perez, Board Members Office
Ms. Bertha Valcarcel, Board Members Office
Mr. Nikolai Vitti, Intern, Supt. Office
Ms. Lourdes Amaya, Administrative Aide
Ms. Elsa Berrios-Montijo, Rec. Secretary
Ms. Alysia Carr, Administrative Secretary
Mr. Miguel Torres, Alternative Outreach
Mr. John Antioau, JESCA
Mr. Dan Ricker, Watchdog Reporter

1. Approval of the Minutes of the Audit Committee meeting of June 27, 2006

There was no discussion and a motion was made by Mr. Gonzalez, seconded by Ms. Hantman, which carried unanimously, to approve the Minutes of the Audit Committee meeting of June 27, 2006.

2. Introduction of new Audit Committee members

Mr. Trueba welcomed the new members, Mr. Nick Tootle and Mr. Willie Kemp. They both made brief introductions and said how pleased they were to serve in the Audit Committee.

3. Election of Chair and Vice Chair

Ms. Amos renominated Mr. Shapiro as Chair and Mr. Trueba as Vice Chair. The reconomination was seconded by Mr. Schomber, and approved unanimously.

4. Annual Financial Report for Fiscal Year Ended June 30, 2006

Ms. San Pedro introduced the Annual Financial Report and asked Ms. Pou to summarize the report. Ms. Pou referred to the summary and explained the increases and decreases. Mr. Schomber asked if there were any funds reserved for hurricane relief. Ms. San Pedro answered that there is an unrestricted contingency that can be used for this purpose. Mr. Gonzalez inquired why there were reductions in revenue. Ms. San Pedro explained that during the numerous hurricanes suffered during

05-06, schools had to be closed and the corresponding revenues for those days were not received. In addition, Ms. San Pedro noted, power outages caused a high loss of food at the schools, and an increase in meal prices was established this year in conjunction with other actions, to compensate for the reduction of the revenues. She pointed out that the increase was not large and noted that there has not been an increase over the last ten years. Ms. Hantman noted that the School Board received lots of criticism on the issue of the meals price increase. She also noted that the School Board voted on it but they did not initiate it.

Mr. Trueba inquired about the salary increase of 6% and the expenditure increase for custodial and maintenance services, and he asked whether those increases were also due to the hurricanes. Ms. Pou answered yes and noted that the increase in expenditures reflects the overtime that was paid during the hurricanes. Mr. Trueba also inquired about the increase in Instructional Support Services expenditures. Ms. Pou explained that the increase was due to Instructional Staff training for the Excellent Teaching Program and that revenue for this program has doubled. She noted that there is a new mandate by the Department of Education to reclassify student and central services and these funds are in the Instructional Technology function.

Ms. San Pedro clarified that the increase in salaries was due to new teaching positions that were established.

There was no further discussion and a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Schomber, which carried unanimously, to recommend that the Annual Financial Report be received and filed by the School Board.

5. Fiscal Year '07 Budget and Financial Outlook

Ms. San Pedro provided a brief summary of the '07 Budget and highlighted the positives and negatives. She noted that monies will be set aside for teachers' salaries.

Mr. Trueba inquired about the millage reduction. Ms. San Pedro replied there is a proposal to reduce the millage by .333. She noted that the milage rate has been reduced every year since 2003-04 for a total reduction of .995. She also noted that the average home owner tax bill decreased approximately \$7.

Ms. Hantman inquired about the state revenue forecast for 2006-07. Ms. San Pedro stated that it is about \$184 million and after adjustments represents a reduction of \$11 million.

There was no action required, since this item was presented to the Audit Committee for information purposes only.

6. Auditor General Report No. 2007-008, Report on Florida Education Finance Program (FEFP) Full-Time Equivalent (FTE) Students and Student Transportation for the Fiscal Year Ended June 30, 2005.

Mr. Woodson emphasized that the \$1.6 million assessment against M-DCPS will not be tolerated. He also noted the implementation of a corrective action plan to prevent future large assessments.

Ms. Hantman expressed concern about the loss of \$1.6 million and stated that it is not acceptable.

Ms. Spaht explained the corrective plan that will be implemented.

Ms. Rivas Logan also expressed concern about the loss of \$1.6 million assessment and inquired as to what happened to the individual at fault. Mr. Woodson replied that this individual was transferred to another department. Pursuant to some discussion, Ms. Hantman and Ms. Rivas Logan stated that it is not acceptable for this individual to retain the same salary after being transferred.

Mr. Schomber asked if any of the findings were contested. Ms. Dulce Castro responded that most findings, specifically those dealing with ESE, could not be contested because it was too late to correct the records. Ms. Burks added that M-DCPS is appealing \$179,000 in certification findings and expressed optimism in prevailing.

Ms. Rivas Logan asked if the initial assessment against M-DCPS was also \$1.6 million. Ms. Spaht said that she will provide Ms. Rivas Logan with the exact amount contested. Mr. Vann added that while conducting audit fieldwork documents provided were some times accepted and in other cases they were rejected.

Ms. Rivas Logan stated that the FTE process is simple and noted that the individual in charge of the FTE office is at fault.

Mr. Stein referred to page 107 where it states that 10 computer courses were listed and schools were not aware these courses were being offered, and asked how could this be? Ms. Burkes responded that these courses were ESOL courses and the course numbers used were no longer valid, but noted that this has been corrected.

Ms. Rivas Logan reiterated her displeasure with the reassignment of the individual she believed was responsible for this large assessment, and asked whether she retained the same duties and salary. Mr. Woodson replied that this individual has been transferred to Human Resources and Ms. Vidal noted that this individual maintained the same salary but with fewer duties. Ms. Rivas Logan again expressed concern and restated that this is not acceptable. She requested Ms. Spaht to notify Dr. Crew of her concerns. Ms. Hantman concurred with Ms. Rivas Logan.

Ms. Rico advised that the discussion should not identify individuals by name, because it is being conducted in a public forum.

Mr. Schomber asked Mr. Woodson what type of assistance does he expect from the Office of Management and Compliance Audits (OM&CA) in the future, on the issues discussed. Mr. Woodson responded that OM&CA could assist in reviewing FTE' s while conducting school audits since it has the ability. He also noted that the OM&CA can highlight problems in a way that Attendance Services cannot, by bringing the issues to the attention of the Audit Committee. Mr. Vann explained the role of Attendance Services and suggested that there needs to be more follow up on findings and implementation of recommendations at the schools. He offered that OM&CA can play a role in assisting Attendance Services by reviewing the pre-audits conducted by them and determining whether there has been corrective action taken by the schools.

Mr. Schomber expressed concern about the lack of follow-up on the part of the schools and suggested that OM&CA be involved in tracking FTE funds. Mr. Vann responded that there are some

issues with OM&CA's involvement, such as providing assistance to correct records and noted that there are some pros and cons for OM&CA to track FTE funds.

Mr. Schomber made a motion to have OM&CA participate in FTE audits, and furnish them with the necessary resources to carry out the task. The motion was seconded by Ms. Hantman, which carried unanimously.

Mr. Schomber asked who will report back to Audit Committee on this discussion. Ms. Spaht replied that she will work on a proposal with Mr. Vann and School Operations and report back at the next Audit Committee meeting

After a lengthy discussion on the assessment of approximately \$1.6 million against M-DCPS, the Audit Committee recommended transmitting the report to the School Board. A motion was made by Ms. Monzon-Aguirre, seconded by Mr. Gonzalez, which carried unanimously, to recommend that the Auditor General Report No. 2007-008, Report on Florida Education Finance Program (FEFP) Full-Time Equivalent (FTE) Students and Student Transportation for the Fiscal Year Ended June 30, 2005 be received and filed by the School Board.

7. James E. Scott Community Association, Inc. Certified Financial Statements for calendar year 2005 (Roving Leaders Program)

Mr. Williams introduced the report and noted that this report was just being presented because it was not received on a timely manner. He also noted that accompanying the financial statements are part of a probationary plan recommended to JESCA by the School Board at its August 2, 2006 meeting. Mr. Williams stated that this probationary plan will be utilized by JESCA for providing contracted services. Mr. Williams stated that Curriculum staff will monitor the programmatic aspects of the plan and the audit department will monitor the fiscal operations, he further noted that JESCA has been notified of the plan's requirements and the district's availability to assist them in accomplishing the plan's requirements. Mr. Ferradaz stated that the audited financial statements are presented alone because they were submitted late.

Ms. Hantman asked when does the probationary period end, to which Mr. Williams answered December 21, 2006. JESCA's CFO noted that there has been a tremendous amount of improvement over the 2004 financials, and that the agency received an unqualified opinion on its financial statements.

Ms. Amos inquired about the balance sheet and asked if there was truly not a single dollar in cash at the end of 2005. She expressed concern about the tax payable amount for 2004 being the same amount as in 2005 and asked if its a past due amount. The CFO explained that monies were tight and that the negative cash balance was reclassified to accounts payable. He also explained that the tax payable amount has been on the balance sheet since the early 1990's, and because the IRS has not aksed for payment, JESCA's management does not want to invite the IRS scrutiny by resurfacing the issue; however, he noted that the auditors will not remove the liability until proper notification from IRS is received.

Mr. Stein commended the CFO for the manner in which the bank charges have been decreased and asked if they are still decreasing. Mr. Antieau responded yes, and explained the reasons behind the large bank charges, including not transferring monies to the check writing accounts timely.

Mr. Stein inquired about the \$114,000 that the District over paid and asked if that money is going to be forgiven. Mr. Vann responded yes, that the money will be forgiven. Mr. Schomber asked on what basis will it be forgiven. Mr. Vann explained that M-DCPS gave JESCA wrong direction on the matter so it would not be fair to penalize the agency. Ms. Spaht added that it was partially M-DCPS' fault because the agency also has a contractual responsibility to validate the attendance data used for billing. She noted that the contract has been revised and the matter has been corrected.

Mr. Schomber asked about the auditors' management letter comment on unapproved vouchers and indicated that this may be a systematic problem.

Mr. Schomber expressed support for the District in their proactive monitoring and probationary approach taken.

There was no further discussion and a motion was made by Ms. Amos, seconded by Ms. Monzon-Aguirre, which carried unanimously, to support the probationary plan recommended by the School Board.

8. Office of Management and Compliance Audits' Activity Report

Mr. Vann summarized the report and noted the future audit work. He mentioned that Ms. Maria Gonzalez is recuperating from a fall at home, where she broke her leg and will return to work tentatively, after Thanksgiving. Mr. Vann said she will be missed and wished for a full and speedy recovery. He also mentioned that the Chief Financial Officer and Chief Budget Officer positions are vacant at this time and should be filled soon.

Ms. Hantman inquired about Mr. Henry Bockoff, who was recently hired as a consultant, and asked what is his function. Ms. San Pedro answered he will be engaged as a consultant for the finance office, but not specifically for either one of these functions.

There was no action required, since this item was presented to the Audit Committee for information purposes only.

9. Office of Management and Compliance Audits' 2006 Annual Report

Mr. Vann summarized the report and noted that the audits 322 schools, which included the review of payroll procedures, were completed, and the field work for the remaining ones was underway. He also noted that property inventories were conducted at 417 locations. He referred to pages 16 through 22 and commended Mr. Miranda for the excellent job he has done in his capacity as the interim Inspector General.

Ms. Amos commended Mr. Vann for the work of the internal audit department and the double duty relating to the Inspector General activities.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Gonzalez, which carried unanimously, to recommend that the Office of Management and Compliance Audits 2006 Annual Report be received and filed by the School Board.

10. Audit of District Fleet Utilization Practices

Mr. Williams provided an overview of the report and recognized Ms. Veretas Fernandes for her work on this audit.

Ms. Hantman expressed concern about some of the findings noted in the report especially as they relate to not having a vehicle assignment policy, assigning active credit cards to terminated employees, and vehicles fueling multiple times in one day and asked who was responsible. Mr. Williams indicated that not one person is responsible, but various departments. Ms. Hantman requested a report from the affected individuals to respond to their specific findings. Ms. San Pedro stated that management responses to each of the issues are available, but the main issue is the need for a centralized management structure.

Dr. Perez stated that she thought abuses with cars was addressed by the former Superintendent. Ms. Rivas Logan asked if any of these cases were turned over to the Inspector General for further review. Mr. Vann replied that they had not because there was no indication of fraud. Regarding the 13 cards assigned to terminated employees, Mr. Williams and Ms. Fernandes indicated that there were no charges on them, but they should have been cancelled. Ms. San Pedro discussed the process in place over vehicle assignments.

Mr. Schomber extensively discussed the take home vehicles findings. He stated that he is not satisfied with staff responses, and that there is no cogent policy on the assignment and utilization of vehicles. He stated that there should be an economic analysis done on whether to keep vehicle or require employees to use their own and reimbursed them for operating expenses. Ms. Diamond stated that staff is reimbursed for the use of their personal vehicles. Mr. Trueba commended the audit department and asked that better responses be provided.

After some more discussion a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Schomber, which carried unanimously, to table the Audit of District Fleet Utilization Practices report and have management provide a better corrective action plan at the December Audit Committee meeting.

11. Audit of Emergency Management and Disaster Recovery

Mr. Williams introduced the report and commended Mr. Torrens and staff and all the other departments involved on a job well done. However, he pointed out that while the disaster recovery plan is quite comprehensive, improvements are needed in the post-disaster efforts and noted that recommendations were provided for improvements.

Ms. Hantman also commended Mr. Torrens and staff.

There was no further discussion and a motion was made by Ms. Amos, seconded by Ms. Monzon-Aguirre, which carried unanimously, to recommend that the Audit of Emergency Management and Disaster Recovery be received and filed by the School Board.

12. Internal Audit Report – Internal Funds of Selected Schools

Ms. Wain introduced the report and explained that pursuant to the Audit Committee's request, 27 audits were completed from various schools where there was a change in principal. She noted that there were no audit exceptions at these schools and that all 27 were in compliance with prescribed policies and procedures.

The Audit Committee commended the schools' staff for the outcome of these audits.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Schomber, which carried unanimously, to recommend that the Internal Audit Report – Internal Funds of Selected Schools be received and filed by the School Board.

13. Other Business

a. Inspector General Update

Mr. Vann informed the Audit Committee that Korn/Ferry is the firm that will conduct the search to fill the position of the Inspector General. Ms. Monzon-Aguirre inquired if there is a time/frame for this search. Mr. Vann responded that there is no formal time frame, but the expectation is to have someone on board by the end of the year.

Mr. Vann noted that work is being done on a draft report, pursuant to a Whistle-Blower case concerning Mater Academy and Academica, through the Inspector General's office.

Adjournment

The meeting was adjourned at 3:15 p.m.