

Miami-Dade County Public Schools



*Office of Management and Compliance Audits
2006 Annual Report*



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Rudolph F. Crew, Ed.D.

Chief Auditor
Allen M. Vann, CPA



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August 8, 2006

Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Dr. Rudolph F. Crew, Superintendent of Schools

Ladies and Gentlemen:

I am pleased to present this report in accordance with Board Rule 6Gx13- 2C-1.14, which states that: "The Chief Auditor will make an annual report to the Audit Committee, to the School Board and to the Superintendent of Schools on the results of auditing activities." In addition, Board Rule 6Gx13- 2C-1.14, also states that "The Chief Auditor will submit to the Audit Committee, the Superintendent of Schools and the School Board for review a comprehensive Audit Plan for a year. This Plan should identify the overall audit scope of scheduled examinations in both financial and non-financial areas." Accordingly, I am pleased to present this annual report and audit plan.

The Office of Management and Compliance Audits will continue to promote effective controls, evaluate operational effectiveness and identify opportunities to more efficiently and cost effectively deliver education and other services to the children of our county. We are committed to providing you with quality information to assist you in decision-making and fulfilling your duties and responsibilities.

We appreciate the support and encouragement you have provided and the cooperation of the District staff.

Sincerely,

Allen M. Vann, CPA
Chief Auditor
Office of Management and Compliance Audits

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INTRODUCTION

The School Board's Audit Committee supervises auditing activities at the School District. This includes the work of external auditors and the activities of our internal auditors, the Office of Management & Compliance Audits. The Audit Committee also reviews the work of many other auditors who provide financial audits on charter schools and other component units of the School District. The Office of Management and Compliance Audits assists the Audit committee in these reviews. The Committee also reviews the work of the State Auditor General, who has had resident auditors at the School District for a number of years.

The purpose of all this audit activity is to provide assurance to the School Board of Miami-Dade County, the Superintendent of Schools, Federal, State and local stakeholders that the funds provided to the School District are being expended in accordance with their intended purpose. This ultimately translates into providing a quality education to the children of the county in a safe and nurturing environment.

Auditors and the assurance services they provide are integral to the internal control structure of the District. We coordinate internal audit activities so as to best achieve the audit objectives of the school system and the objectives of the Audit Committee and the administration. The Chief Auditor keeps abreast of new developments in the school system by attending the School Board meetings and meetings of school system-wide committees. The Chief Auditor also acts as liaison between the school system and external auditors (federal, state and independent auditors). The Office of Management and Compliance Audits assists the Audit Committee and the Superintendent by monitoring the responses from school system officials to audit findings and recommendations made by the external auditors.

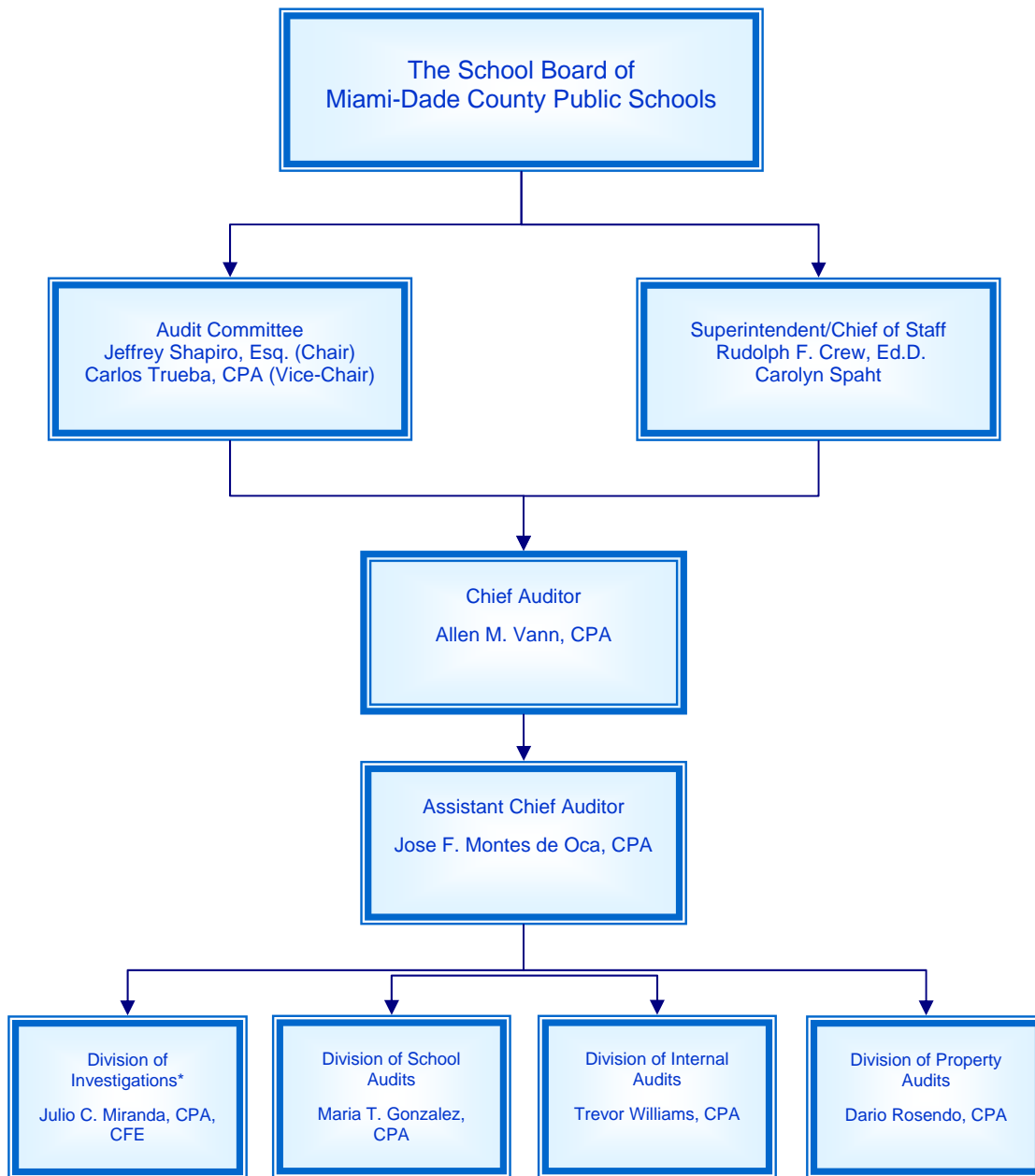
The objectives of the many audits generally include:

- Examinations of the financial statements in accordance with generally accepted auditing standards.
- Ascertaining the reliability and adequacy of accounting and reporting systems and procedures.
- Appraisal of the adequacy and effectiveness of internal controls.
- Assuring compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
- Improving the efficiency of the school system's operations by providing recommendations in audit reports.
- Ascertaining the extent to which the assets of the school system are accounted for and safeguarded from loss.



The internal audit office has been provided with an abundance of encouragement for its activities from the School Board through the oversight provided by its Audit Committee. Additionally, the Superintendent and Chief of Staff's support has ensured the complete cooperation of the District staff necessary to fulfill our mission. Our office's organizational chart follows:

OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS ORGANIZATIONAL CHART



Legend:

* Division currently discharging the functions of the Inspector General.
CPA = Certified Public Accountant
CFE = Certified Fraud Examiner

AUDIT REPORTS ISSUED BY THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

We have listed audits prepared by the Office of Management and Compliance Audits into three categories: 1) school audits; 2) property and inventory audits; and 3) other internal audits. In addition, in September 2005, the School Board requested that the Office of Management and Compliance Audits align and discharge the functions of the Office of Inspector General until a new Inspector General has been selected. Included herein are related activities.

School Audits

During Fiscal Year 2006 our auditors visited and completed audits at 322 of the 333 schools in the District (97%). For 311 schools, the audit period was Fiscal Year 2005, while 11 were two-year audits ended Fiscal Year 2005. Audits completed included 77 schools with a change in principal (24%).

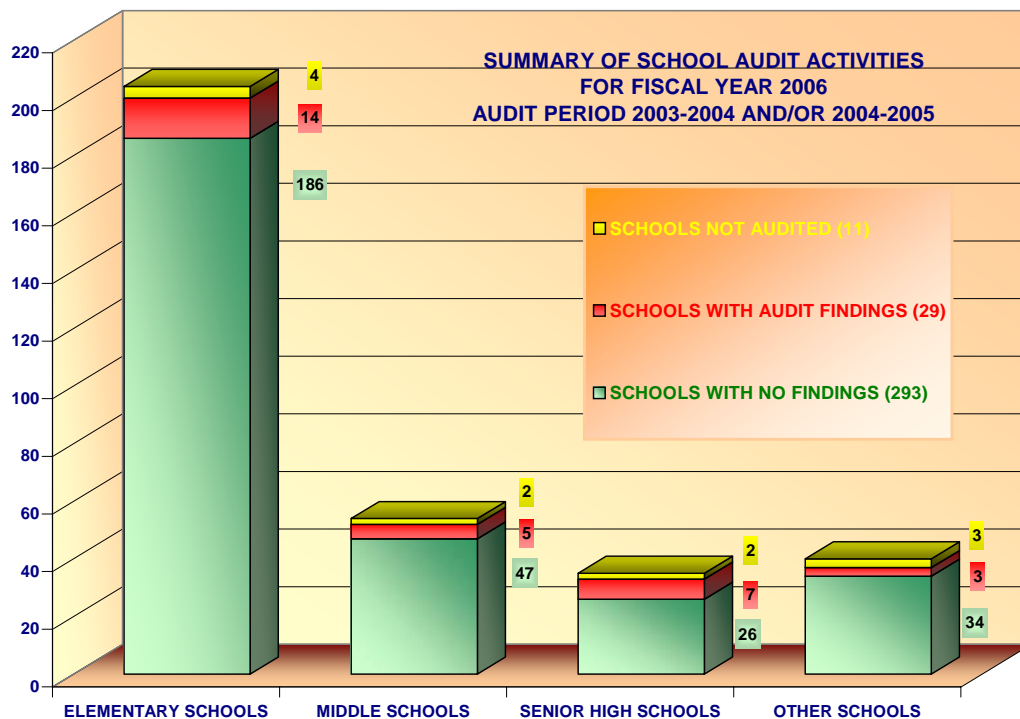


Same as last year, 11 school audits (3%) were pending publication by year-end; consequently, they will be reported as part of two-year audits in Fiscal Year 2007. Total audits reported for Fiscal Year 2006 are very similar to those reported for the prior year (323 school audits completed while 11 remained pending publication by the end of Fiscal Year 2005).

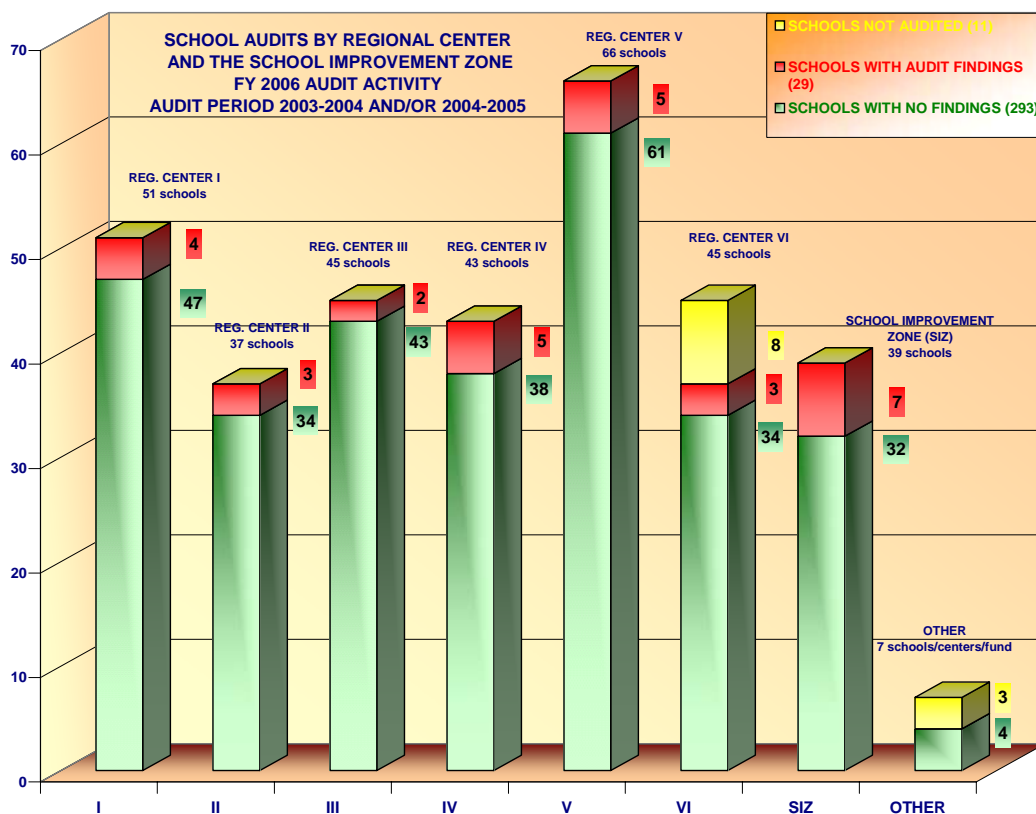
Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 entitled *School Board Responsible for Internal Funds* require school boards to provide for an annual audit of internal funds. At the schools, we reviewed internal funds, payroll and property procedures, purchasing credit card transactions, and certain IT reports.

The scope of our school audits is based on the assessment of risk at each and every school. The criteria for our evaluations include materiality, past audit findings/experience, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school. As a result, full scope audits were conducted at 32% of the schools; while 24% of our audits were reduced in scope, and 44 % were more analytical in nature.

We found that 293 of the 322 schools conducted their financial affairs in accordance with District policies and had good internal controls (91%). However, at 29 schools (9%) there was room for improvement. This is a reduction from last year where 36 schools needed to make improvements. The following graph depicts the breakdown of District schools arranged by elementary, middle, senior high, and other schools (alternative, vocational, etc.).

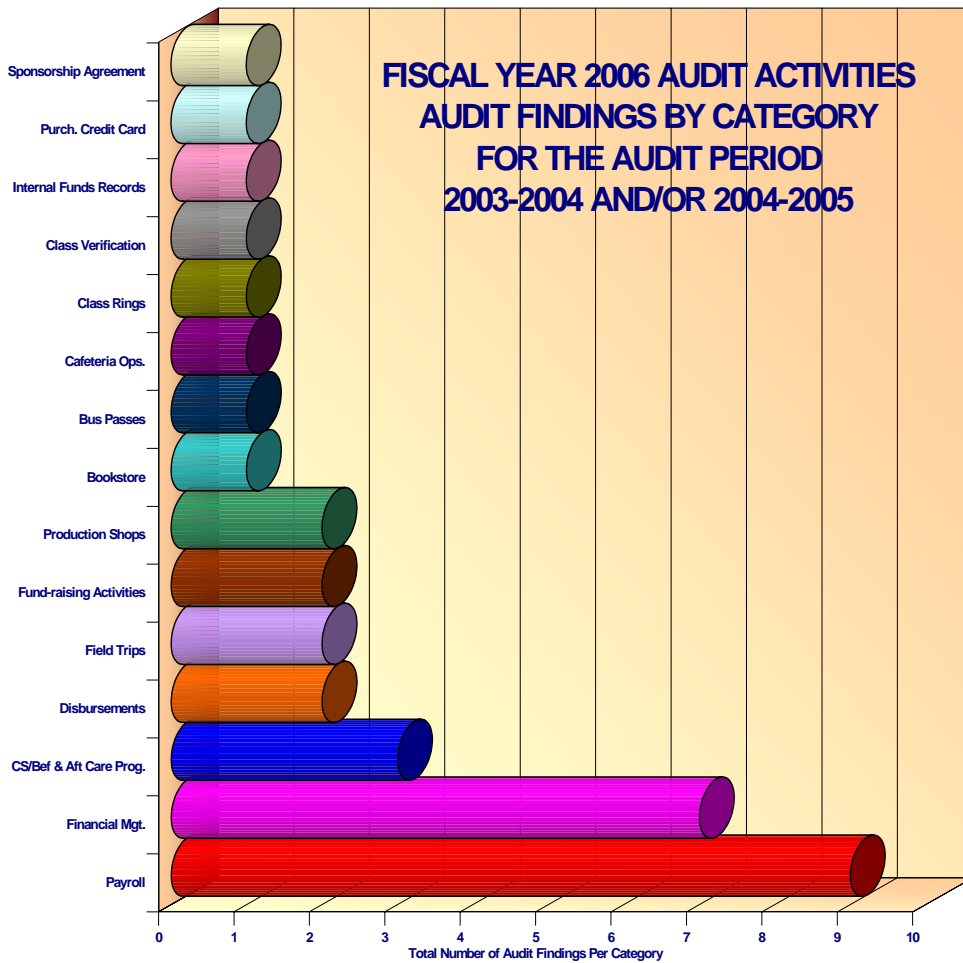


Only 7% of the 200 elementary schools audited ran into difficulty complying with District policies and procedures. In comparison, 10% of the middle schools, 21% of the senior high schools, and 8% of the specialized schools had difficulties. In great part, the heightened number of audit findings at these schools may be attributed to the relative size and complexity of their programs. The breakdown of school audits by Regional Center and the School Improvement Zone is equally revealing:



The heaviest concentration of schools with audit exceptions was in the School Improvement Zone. We found that 18% of these schools need to pay greater attention to their business practices. Schools in the Improvement Zone are in greater need of improvement academically and it should be no surprise that they require more attention focused on the conduct of their financial affairs as well.

Audit findings at the schools were concentrated in the areas of payroll and timekeeping practices, financial management, and the Community School/Before and After School Care Programs. The areas of disbursements, field trips, fund-raising activities, and production shops in general were also problematic as summarized in the chart that follows:



PROPERTY AND INVENTORY AUDITS

Property Audits

The Office of Management and Compliance Audits is responsible for ensuring that the School District is accountable for all of its personal property. An inventory of all property shall be taken once each fiscal year to verify the presence of listed property items at each designated location, in compliance with the Rules of the Auditor General, Chapter 10.400, and with Section 274.02 of the Florida Statutes, *Record and inventory of certain property*, which states:

- The word “property” as used in this section means fixtures and other tangible personal property of a non consumable nature, the value of which is \$1,000 or more and the normal expected life of which is one year or more.



- Each item of property, which is practicable to identify by marking, shall be marked in the manner required by the Auditor General. Each governmental unit shall maintain an adequate record of its property, which record shall contain such information as shall be required by the Auditor General.



- Each governmental unit shall take an inventory of its property in the custody of a custodian whenever there is a change in such custodian. A complete physical inventory of all property shall be taken annually, and the date inventoried shall be entered on the property record. The inventory shall be compared with the property record, and all discrepancies shall be traced and reconciled.



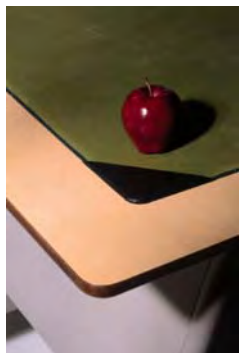
Our property auditors completed physical inventories at 417 District work locations. They accounted for personal property valued at \$479 million and reported \$148 thousand worth of unlocated items. The loss rate for the year was only 0.03%, a marked improvement over last year's rate of 0.04%.

Audit of Inventories as of June 30, 2005

The Office of Management and Compliance Audits has audited the inventories as of June 30, 2005 of the following departments:

Department	Amount
Textbook Inventory Services	\$16,465,000
Food and Nutrition	5,098,000
Stores and Mail Distribution	3,563,000
Maintenance Materials Management	2,785,000
Transportation	715,000
Total	\$28,626,000

We concluded that the District's centralized inventories were fairly stated in the Annual Financial Report for the fiscal year ended June 30, 2005. Our audit also concluded that the control environment for conducting the year-end physical inventory process and for managing these inventories is adequate. Over 57% of the reported inventory at year end is composed of textbooks that are ordered during the months of February through June and paid using the subsequent year's budget, as allowed by Florida



Statutes, to satisfy the administration's intent that students have their textbooks on-hand by school opening in late August. Food and Nutrition inventories composed of purchased foods and supplies, and food commodities donated by the Federal Government represented another 18% of the reported inventories at fiscal year end. The remaining inventories were composed of classroom, office and custodial supplies maintained at the Stores and Mail Distribution Warehouse; maintenance parts and supplies maintained by Maintenance Materials Management; and fuel, tires, and parts maintained by the Department of Transportation.

OTHER INTERNAL AUDITS

Opportunities to Improve the Exceptional Student Education Program

The objectives of our audit were to assess the adequacy of the fiscal operations of the ESE program and to determine whether the District's services to the ESE student population and other stakeholders comport with applicable laws, rules, regulations and best practices. The District's Exceptional Student Education Program is administered by the Office of Special Education, Alternative Outreach and Psychological Services. During the Fiscal Year 2005, the program served almost 62,000 students at a cost of over \$700 million.



Overall, staffing and related expenditures were adequate and complied with program requirements. Outreach to parents and guardians and the extent of awareness raised about the ESE program were satisfactory. However, the ESE program could be more efficient by completing a greater number of students' initial evaluations more timely, developing the tools and information needed to better monitor the program's operations, and employing various cost containment strategies.



Audit of Construction Plan Review, Permitting and Inspection Processes



Construction plan review, permitting and inspection operations were administered by the Department of Educational Facilities Compliance for the 21 months ended March 31, 2005. The objectives of our audit were to determine whether the operations function in a manner that allows for efficient and expeditious plan reviews, permitting and inspection of scheduled projects; and whether they comport with the Florida Building Codes and District's policies and procedures.

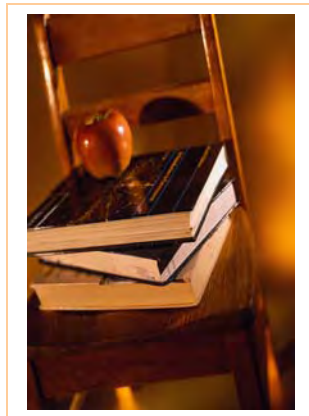
The audit disclosed delays in construction plan reviews, permit issuance, and inspections among certain disciplines; the need for performance measures and standards; and instances of inconsistencies in reported information. Management has already taken, and/or outlined certain corrective actions that would rectify the conditions noted in the audit.

Payroll and Timekeeping Practices at Maintenance Operations and Facilities Construction

The objectives of the audit were to determine whether the payroll and timekeeping practices in place are in compliance with established District policies and procedures, and whether those practices effectively reduce the risks of lost wages, payroll irregularities, and inaccurate project and work order cost information. We found instances of non-compliance with District’s policies, procedures and rules; significant weaknesses in internal controls; inefficient and ineffective timekeeping practices; wasteful and abusive practices; lost wages; and erroneous job costs.

This audit was conducted during a period of transition and reorganization of Maintenance Operations. The new management has worked to strengthen supervision and monitoring practices. A follow-up review of the implementation and enhancements is planned.

Audit of James E. Scott Community Association, Inc., (JESCA)



At the request of the Audit Committee, we performed an audit of the James E. Scott Community Association, Inc. (JESCA) as it related to the revenues and expenditures of the Roving Leaders Program, as well as, compliance with contract provisions. The audit concluded that JESCA’s financial management needs substantial improvement. The District overpaid Roving Leaders \$114,090 in FTE revenues. Funds provided by the District may have been used to pay portions of \$139,000 in bank charges. The allocation of overhead to the Roving Leaders Program and the \$100,800 charged to it in 2004 are, in our opinion, not soundly supported. Moreover, M-DCPS may have paid for portions of the overhead charges and payroll expenses for other programs operated by JESCA. Finally, student attendance information was inconsistent; and various contract provisions were not complied with.

Audit of Food Service Operations



The objectives of the audit were to determine whether school cafeterias operated efficiently, adequate internal controls were in place, and goods and services were properly procured at the best available prices. Food service operations were administered by the Department of Food and Nutrition for the 2005 fiscal year. While overall, the District achieved better prices through its bids for food service purchases when compared to other districts, the audit disclosed inefficient cafeteria operations at senior high schools, based on established staffing formula and comparison with other school districts; inadequate written procedures and employee training over commodity rebates; almost \$1.2 million of stale-dated open purchase orders and requisitions; and the unavailability of current manufacturers' price lists evidencing that staff used such lists to verify proper vendor invoicing, as required. Management has pursued corrective actions.

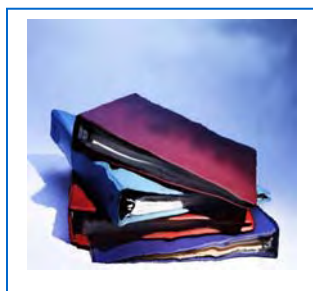
Audit of Hospitality Services

We performed an audit of Hospitality Services administered by the Department of Facilities for the 2005 fiscal year. Cash and/or investments at year end totaled \$518,470. Revenues and expenditures for the year totaled \$ 622,366 and \$501,398, respectively. While the dining facility provides hospitality services for M-DCPS' staff and guests while participating in official School Board business, it spends more than is available from vending machine commissions. Hospitality guidelines should be revised to better align funding sources with rendered services.



Additionally, the outsourced vending machines' operation requires better oversight; and bidding procedures for procuring goods and services need to be implemented. Other matters that require management's full attention related to safety inspections' violations in the kitchen area, and certifications and training for food handling employees and food service managers. Management has pursued corrective actions.

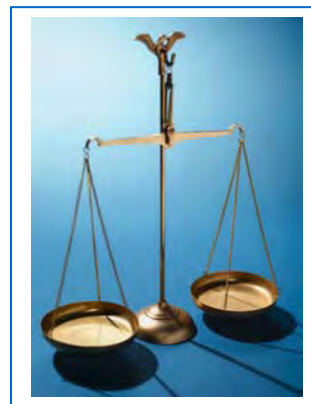
M/WBE Activity Report



This represents a limited review of the Minority/Women Business Program Annual Expenditure Reports for the Fiscal Years Ended June 30, 2003 approximating \$95 million and June 30, 2004 approximating \$83 million. We found that the expenditure reports were adequately compiled.

Outside Legal Fees

We reviewed legal fees paid to outside counsel for calendar year 2004. Expenditures aggregated \$5.1 million. We verified the accuracy of the amount spent for legal services and recommended some minor adjustments to the amount reported. However, our limited audit tests may not have detected the inadvertent omission of an Attorney from the list provided by the Board Attorney's Office.



Controls Over Personnel Files

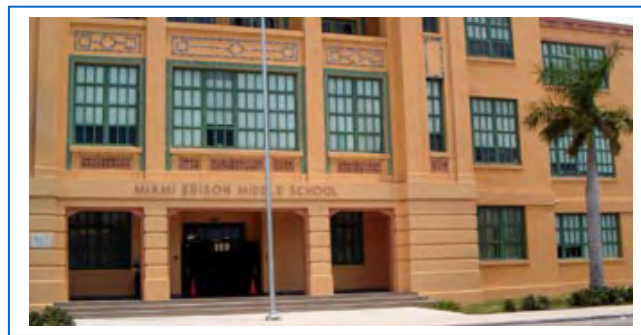
We reviewed the adequacy of the Office of Professional Standard's file control system and found that files are adequately secured, controlled and accounted for. However, the process of maintaining and accessing OPS files can be strengthened by codifying the procedures in a manual. Also, authorized administrators who borrow OPS files should be required to sign for them. Management agreed to implement these enhancements.

Follow-up – Contractor Pre-Qualification Process

We performed a follow-up review on the implementation of the audit recommendations included in our internal audit report on the contractor pre-qualification process, issued on January 25, 2005. We determined that management has made significant efforts in implementing the audit recommendations, in that most of the recommendations were fully implemented, with only two recommendations not implemented.

Follow-up – Contractor Evaluation Process

We performed a follow-up review on the implementation of the audit recommendations included in our internal audit report on the contractor pre-qualification process, issued on January 25, 2005. Four recommendations were partially implemented and seven were pending implementation by their due dates.



INVESTIGATIVE AUDITS (OFFICE OF INSPECTOR GENERAL)

During the year we performed a number of forensic audits/investigations



that would otherwise have been referred to the Office of Inspector General. Our District Director for Investigative and Compliance Audits, with the assistance of a Police Officer on special assignment from the M-DCPS Police Department and augmented by additional audit staff, maintained the workload of the IG's

Office. Our School Audits Division deserves particular recognition for the significant level of resources and leadership provided.

The following projects were completed during the year:

Investigation of Department of Transportation Vehicle Maintenance Unit Purchases



Pursuant to a request from the Deputy Superintendent for Business Operations we investigated a suspicion of irregularities in the Department of Transportation's Vehicle Maintenance unit. A vendor alleged that an Administrative Assistant at Transportation solicited a "commission" (kick-back). It was also alleged that he and a salesperson for

several M-DCPS vendors, jointly own a company that was involved in performing service work for Transportation. District credit cards were allegedly used for unnecessary repairs, such as wheel alignment work performed on new buses.

Based on the information obtained during our investigation, there was sufficient evidence to corroborate the allegation that a business relationship existed between these two individuals. We found that the Administrative Assistant approved at least 15 repair orders for services which his company performed; and he, along with a close relative, approved all subsequent invoices for payment. These business activities were conducted with Miami-Dade County Public Schools, in apparent violation of Florida Statute 112.313(6), *Misuse of Public Position*; School Board Rules 6Gx13-1C-1.08, *Gifts To School Personnel*; 6Gx13- 4A-1.212, *Conflict Of Interest*; and 6Gx13- 4A-1.213 *Code Of Ethics*.



Upon the conclusion of our investigation, we reviewed our detailed findings with an Assistant State Attorney assigned to the Public Corruption Prosecution Unit of the Office of the State Attorney, Eleventh Judicial Circuit of Florida. The State Attorney initiated a criminal investigation and agreed to the release of this report in order for the District to take necessary and appropriate corrective action. Several employees, including the Administrative Assistant involved and the Vehicle Maintenance Director subsequently resigned or retired and other individuals were reassigned.

**Miami-Dade County Public Schools’
Employees Involved In Florida Memorial
University Unauthorized Grade Changes**

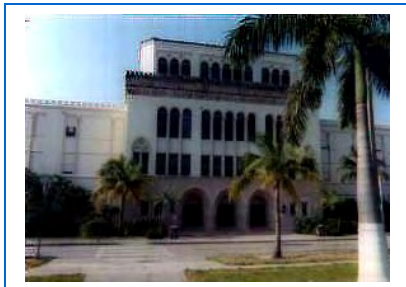
Based on the information we obtained from FMU and the State Attorney’s Office, we determined that ten current and eight former School District employees had degrees that were revoked and/or were sanctioned by FMU.

This likely constitutes violations of the employees' obligations under various laws, rules, and regulations, including but not limited to "The Code of Ethics for the Education Profession in Florida and the Principles of Professional Conduct of the Education Profession in Florida," Chapters 6B-1.001 and 6B-1.006, F.A.C., the "Code of Ethics for Public Officers and Employees," found in Chapter 112, Part III of the Florida Statutes, and School Board Rule 6Gx13- 4A-1.213 Code Of Ethics.

For teachers whose jobs require State certification, the validity of their certifications is in question, because FMU revoked their credits and/or degrees. Immediate steps were taken to remove two teachers from the classrooms. The Office of Professional Standards and School Police initiated further proceedings, including personnel investigations, necessary to proceed with any further disciplinary and/or corrective action. We recommended that Human Resources strengthen its controls and personnel practices to ensure that, when academic institutions provide revised transcripts and notification of changes in employees' academic standing, staff takes action to assess whether the employees continue to meet the minimal requirements for their job.



Miami Senior High School

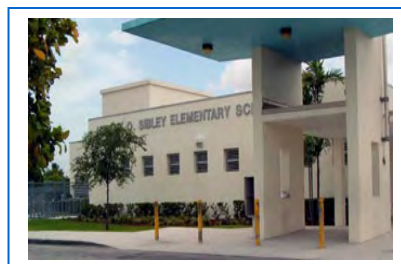


As a result of our regular audit of the school's internal funds, we discovered that the Head Coach of the Boys' Basketball team had entered into an unauthorized three-year agreement with a sportswear vendor. We found that the school received \$15,000 and \$10,000 during the 2004-05

and 2005-06 fiscal years, respectively, for the first two years of the agreement. Also, the agreement stipulated that the coach, his staff, and their immediate family were entitled to receive a specific amount of complimentary sportswear. Our investigation revealed that the coach and several members of his coaching staff received between \$400 and \$600 in complimentary sportswear and related products. This is in violation of School Board policy. The team also received complimentary uniforms and sportswear. In return, the vendor was granted the use of the team's trademark, names, logos, as well as the authority to request that the team participate in a vendor-sponsored event. The School Board administration is working with the School Board Attorney's Office to terminate the agreement. School Operations has provided guidance to School Administrators to ensure that any future agreements follow the framework established by Board rule.

Review of the Family Literacy Grant at Hubert O. Sibley Elementary School

The Office of Intergovernmental Affairs, Grants Administration, and Community Services requested a review of the Family Literacy Grant Program at Hubert O. Sibley Elementary. The request resulted from a complaint letter that alleged the former principal had spent grant funds for purposes unrelated to the grant.



We reviewed the program for the 2005 fiscal year up to January 2006 and, although our review did not detect any illegal acts, we questioned grant expenditures because they did not support the purpose of the grant. Additionally, we determined that controls over the monitoring and approval of grant expenditures needed improvement. Management has pursued corrective actions.

Kensington Park Elementary School



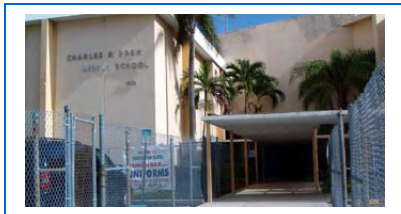
As a result of our regular audit of the school's internal funds, we discovered a misappropriation of revenues in the Before/After School Care Program. The Community School Specialist admitted to stealing the funds. An exhaustive forensic audit/investigation of the records and transactions revealed

\$36,000 in missing revenues. It also revealed many irregularities in the postings to the student registration cards, intended for the purpose of concealing undeposited revenue. The program was not adequately supervised by senior school staff.

The Community School Specialist was subsequently arrested by M-DCPS Police. Our office worked closely with the State Attorney's Office and the court system to resolve this case. Consequently, the employee agreed to resign as part of the plea bargaining process. The Principal has taken appropriate steps to strengthen controls and adequately monitor the program.

Charles R. Drew Middle School

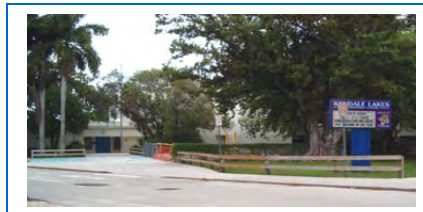
The Office of Professional Standards requested an investigation, which disclosed that the Cafeteria Manager stole approximately \$1,300 in A-la-Carte cafeteria sales. Our forensic audit disclosed that the Cafeteria Manager was not reporting or properly depositing cash sales made to students. Because the records were incomplete, we could not determine the exact amount of the defalcation.



The Cafeteria Manager was arrested by M-DCPS Police. Working with the State Attorney's Office and the court system, the employee agreed to perform 100 hours of community service and is in the process of making full restitution. Management is pursuing further disciplinary action.

Kendale Lakes Elementary School

The Principal requested an audit/investigation of After School Care Program. Our audit revealed a lack of controls over the collection process, which resulted in unaccounted funds. It also disclosed that postings to student registration cards amounting to \$2,545 from fee collections could not be traced to deposits.



Proper receipting procedures were not followed when makeshift receipts were used in lieu of official receipts, and postings of receipts to document the collection of fees were fictitious. The staff member responsible for this recordkeeping function worked alongside a close family member. This working relationship is in conflict of Board policy. Working with the M-DCPS Police, we could not positively identify the person or persons responsible for the shortfall. The Principal took appropriate action to ensure that better controls and supervision would be in place going forward.

Homestead Senior High School

M-DCPS Police requested assistance from our office to review the financial records of Homestead Senior High School. This request resulted from allegations made against the former principal, Mr. Timothy Dawson, regarding improper spending practices at the school.

Our review disclosed that approximately \$43,000 in purchases made between April 2003 and October 2004 did not adhere to internal funds' general procurement guidelines. Also, some of the expenditures appeared personal and should have never been reimbursed to the former principal. A detailed report of our findings was addressed to the M-DCPS Chief of Police. A concurrent police investigation substantiated the allegations. Working closely with M-DCPS Police, the former principal resigned from Miami-Dade County Public Schools effective June 2005.



AUDIT REPORTS ISSUED BY EXTERNAL AUDITORS

Auditor General Report:

The following reports, prepared by the Auditor General were presented to the Audit Committee:

Report Number	Report Title
2006-013	Report on Significant Findings and Financial Trends in Audits of District School Boards for the Fiscal Year Ended June 30, 2004
2006-034	Report on Significant Findings and Financial Trends in Charter School and Charter Technical Career Center Audit Reports Prepared by Independent Certified Public Accountants for the Fiscal Year Ended June 30, 2004
2006-103	Miami-Dade County District School Board Operational Audit for the period July 1, 2003 through June 30, 2005

Financial Audits:

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

Audit Title	Auditor
Comprehensive Annual Financial Audit Report and Management Letter: The School Board of Miami-Dade County, Florida, June 30, 2005	Ernst & Young, LLP
The School Board of Miami-Dade County, Florida, Single Audit Reports (in accordance with Office of Management and Budget Circular A-133) Year ended June 30, 2005	Ernst & Young, LLP
Audit Report of the WLRN Television and Radio Stations for the Fiscal Year ended June 30, 2005	Sharpton, Brunson & Company, PA
Audit of the Dade Schools Athletic Foundation, Inc. for the Fiscal Year ended June 2005	Sharpton, Brunson & Company, PA
Audit of the Miami-Dade Coalition for Community Education, Inc. for the Fiscal Year ended June 30, 2005	Sharpton, Brunson & Company, PA
Audit of the Magnet Educational Choice Association, Inc. (MECA) for the Fiscal Year ended June 30, 2005	Sharpton, Brunson & Company, PA
The School Board of Miami-Dade County, Florida, Educational Facilities Impact Fee Fund, Annual Financial Statements, June 30, 2005	Grau & Company, PA, CPAs
Educational Facilities Impact Fees Agency Funds of Miami-Dade County, Florida, combined Financial Statements, as of September 2005 (with Independent Certified Public Accountants' Report Thereon)	KPMG

Charter schools must be audited each year. Our office receives and reviews these audit reports before they are presented to the Audit Committee and the School Board. The following audits were received during 2005-06:

Charter School	Auditor
Academy of Arts and Minds	Morrison, Brown, Argiz & Farra, LLP, CPAs
Archimedean Academy, Inc.	Verdeja, Gravier & De Armas, CPAs
ASPIRA Eugenio Maria de Hostos	Caballero & Castellanos , P.L., CPAs
ASPIRA North	Caballero & Castellanos , P.L., CPAs
ASPIRA South	Caballero & Castellanos , P.L., CPAs
Aventura Charter Elementary	Keefe, McCullough & Co., LLP, CPAs
Balere Language Academy	Millward & Co., CPAs
Coral Reef Montessori	Sanson, Kline, Jacomino & Co., LLP, CPAs
The Doral Academy, Inc.	Verdeja, Gravier & De Armas, CPAs
Doral Academy Middle School	Verdeja, Gravier & De Armas, CPAs
Doral Academy High School	Verdeja, Gravier & De Armas, CPAs
Downtown Miami Charter School, Inc.	Grau & Company, CPAs
Florida International Academy	Keefe, McCullough & Co., LLP, CPAs
Florida SIATECH	James Moore & Co., P.L.,CPAs
Gibson Charter School	Verdeja, Gravier & De Armas, CPAs
International Studies High School	Verdeja, Gravier & De Armas, CPAs
Keys Gate Charter School	Keefe, McCullough & Co., LLP, CPAs
Liberty City Charter School	S. Davis & Associates, PA, CPAs
Mater Academy	Verdeja, Gravier & De Armas, CPAs
Mater Academy High School	Verdeja, Gravier & De Armas, CPAs
Mater Academy East	Verdeja, Gravier & De Armas, CPAs
Mater Academy Middle School	Verdeja, Gravier & De Armas, CPAs
Miami Children's Museum Charter	Verdeja, Gravier & De Armas, CPAs
Miami Community Charter School	Millward & Co., CPAs
Miami Shores/Barry University	Regino Rodriguez CPA & Co., P.A.
Pinecrest Preparatory Academy	Verdeja, Gravier & De Armas, CPAs
Pinecrest Academy Middle School	Verdeja, Gravier & De Armas, CPAs
Rosa Parks Charter School Florida City	L. Brown and Company, PA, CPAs

The table below is a continuation of the one shown on the previous page:

Charter School (Continued)	Auditor
Rosa Parks Community School Overtown	L. Brown and Company, PA, CPAs
Renaissance Elementary	Keefe, McCullough & Co., LLP, CPAs
Sandor Weiner School of Opportunity	Keefe, McCullough & Co., LLP, CPAs
Somerset Academy	Verdeja, Gravier & De Armas, CPAs
Somerset Academy Charter Middle	Verdeja, Gravier & De Armas, CPAs
Somerset Academy Charter High	Verdeja, Gravier & De Armas, CPAs
Spiral Tech Elementary School	Damian Landeiro, PA, CPA
Youth Co-Op Charter School	Ocariz, Gitlin & Zomerfeld, LLP, CPAs

Annual contracts with providers of Alternative Education services require financial audits that are received and reviewed by our office before they are presented to the Audit Committee and the School Board. The following audits were received during 2005-06:

Community-Based Organization	Auditor
Achieve Through Education, Inc.	Magram & Magram, PA, CPAs
The Alternative Programs, Inc.	London Witte & Company, PA, CPAs
Cuban American National Council, Inc.	BRK Garcia & Company, PLLC, CPAs
Dade Marine Institute, Inc.	Cross, Fernandez & Riley, LLP, CPAs
James E. Scott Community Association, Inc.	Watson Rice, LLP, CPAs
OMBUDSMAN Educational Services, Ltd.	Reicin, Pollack & Company, Ltd., CPAs
Recapturing the Vision International, Inc	W.B. Koon & Company, CPAs
Richmond-Perrine Optimist Club, Inc.	Nzeribe & Company, PA, CPAs



OTHER REPORTABLE ACTIVITIES

- Our Assistant Chief Auditor and District Director for School Audits made several presentations during the year for School Operations -- Money Matters Support Program. This program helps principals maintain a high level of financial accountability at their schools. We highlight past areas where audit exceptions occur and provided principals with practice sessions and hands-on exercises. An additional presentation was made to assistant principals under training to become principals. Basic tenets of fiscal accountability at the schools were highlighted and discussed.
- Pursuant to Board rule, internal audit staff has been actively participating as non-voting members in a number of committees.
- We attend the Professional Services Contract Committee, the Charter School Contract Review Committee and the Design and Construction Selection and Negotiation Committee.



● The Chief Auditor serves as a non-voting member of the Steering Committee for the District's Enterprise Resource Planning (ERP) system. In addition, our new Information Systems Design Control Officer serves as a non-voting member of the Project Management. Our focus has been to provide guidance to the development team in establishing proper controls before the ERP system is implemented. The new system represents a substantial investment estimated at \$20-\$30 million and the District's business processes will undergo significant change as part of the process. Currently, the District uses outdated systems organized around departments and relies heavily on manual processes and controls. The new ERP system, in contrast, will be organized around business processes, using a single system to record a transaction from beginning to end.

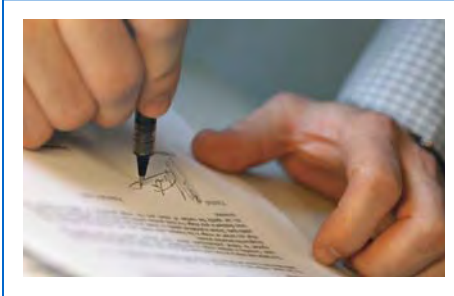
● We assisted School Operations and the School Board attorney's office in evaluating budgetary controls and governance issues in the 5000 Role Models Department/ program.

● The Chief Auditor made a presentation to the Association of Local Government Auditors on internal auditing in the school systems. At that conference, our office was presented with the distinguished **2005 Bronze Knighton Award**, a national award for auditing issued by the association, for our audit report entitled *Audit of Payroll and Timekeeping Practices at Maintenance Operations and Facilities Construction* (refer to page 12 of this report for a summary of this audit report's findings).



ANNUAL PLAN AND PROPOSED BUDGET FOR FISCAL YEAR 2007

Internal Audit Plan



We presented the proposed audit plan for fiscal year 2007 to the Audit Committee at its June 27th meeting. At that meeting, the Committee approved the Audit plan in accordance with Board rule.

The development of the Audit plan was shaped using a systematic approach to help us decide what audits need to be done. The planning process helps us to develop the theme for our audits and identify an appropriate mix of various types of performance and financial audits. The comprehensive audit plan also helps us to determine how we can best allocate our resources and capitalize on our individual strengths.

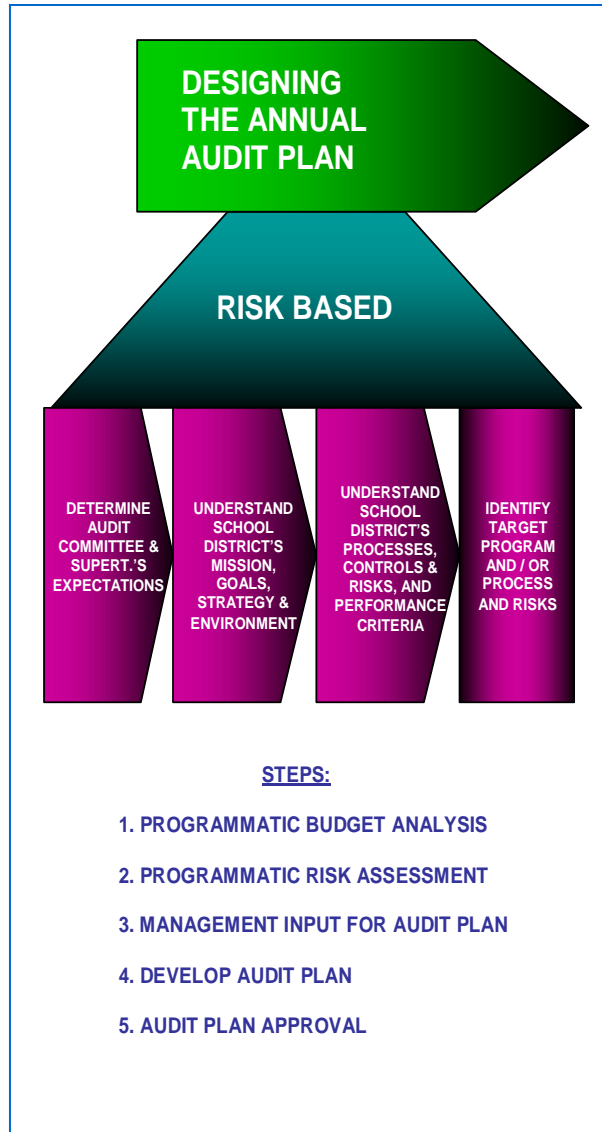


Effective audit planning is crucial to the success of the Office of Management and Compliance Audits. It is based on three basic and fundamental elements:

- 1) *understanding the School District's programs and operations;*
- 2) *assessing risk; and*
- 3) *applying judgment.*

These elements are interdependent; that is, without an understanding of programs and operations, we can't assess risk; and assessing risk depends largely on the auditor's judgment. Within the School District, the auditable unit could be a

school, program, project, contract(s), organizational unit, function, activity, and/or data system. Our planning process involves identifying the auditable universe, identifying the risks associated with various programs and operations, designing and gaining approval of the audit plan by the Audit Committee, and performing individual internal audits.



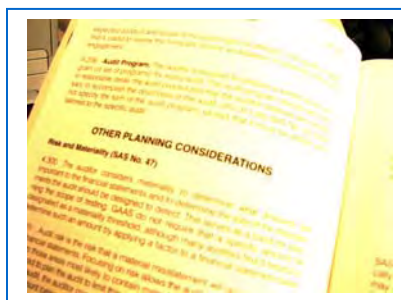
Risk Analysis:



Risk is significantly different from an internal auditor's perspective than it is for a financial auditor: Internal audits, unlike financial audits, cannot be conducted on an annual audit cycle. The audit universe is too large, the auditable elements too diverse and the cost of the audits too high. Accordingly,

we rely on two separate risk assessments: The first risk assessment considers the entire district by organization and fund. Because of the unique nature of the School Board's operations and State mandated audit requirements¹, a second risk assessment of the schools is prepared.

We evaluated risk at each and every school based on materiality, past audit findings/experience, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school.



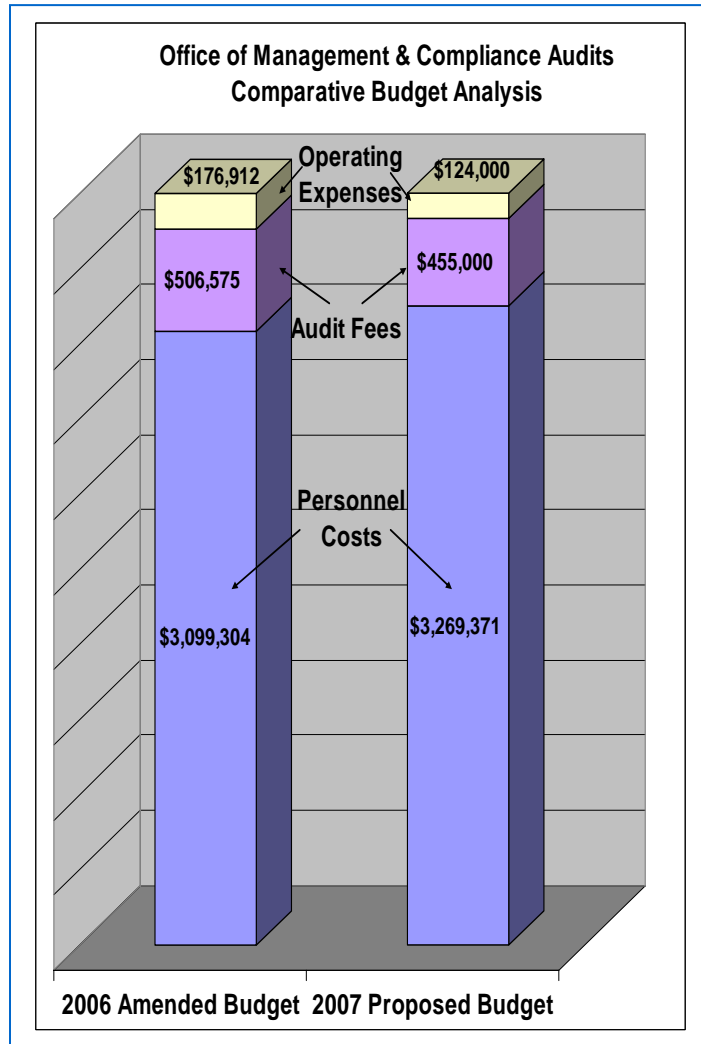
By arraying the pattern of past audit coverage of departments and programs we are able to combine our knowledge of potential audit areas from our assessment of risk, and professional judgment to arrive at a list of new audits. We also met with the senior staff and received their input.

¹ Florida Dept. of Education Rule 6A-1.087 entitled School Board Responsible for Internal Funds requires school boards to provide for an annual audit of internal funds.

Annual Budget

This year's budget was designed to complement the audit plan and all the related activities of the Office of Management and Compliance Audits. The budget will ensure that there is adequate provision for outside audits and sufficient resources to cover the internal audit activities. Staffing remained flat in the Office of Management and Compliance Audits between FY 2005 and FY 2006 and

no changes are proposed for FY 2007. A modest increase of less than 2% is attributable to a modest increase in personnel costs. The budget will be approved through the normal budget approval process with the School Board. The approved audit plan for FY 2007 follows:



**Miami-Dade County Public Schools
Office of Management and Compliance Audits
Fiscal Year 2007 Audit Plan**

Departments	Audit	Background	Objectives
SCHOOL AUDITS:			
School Operations	Audit of Schools	Florida Dept. of Education Rule 6A-1.087 entitled " <i>School Board Responsible for Internal Funds</i> " requires school boards to provide for an annual audit of each school having internal funds. During FY 05-06 there were 336 schools and centers at M-DCPS having internal funds with total receipts of \$78 million. Additionally, these schools and centers have substantive payroll, purchasing credit card, and <i>food service</i> activities.	We will express an opinion on the financial statements of each school; evaluate internal controls and compliance with established policies and procedures for internal funds, payroll, purchasing credit card, food service programs, and IT controls.
Office of Intergovernmental Affairs, Grants Administration and Community Services (OIAGACS)	Audit of Schools	During FY 05-06, 326 schools received approximately \$125 million from federal, state and/or other agency funds. Of this amount Title I funds totaling \$56 million was provided to 184 schools. Grant recipients are required to follow strict spending guidelines to ensure that performance goals are met and grant requirements are adhered to.	Evaluate compliance at selected schools for Title I and other grant programs; and evaluate the effectiveness of internal controls to promote compliance with established policies and procedures.
PROPERTY AND INVENTORY AUDITS:			
District-wide	Property Inventories	According to State Statute: "A complete physical inventory of all property shall be taken annually... be compared with the property record, and all discrepancies shall be traced and reconciled." During FY 05-06 our Property Auditors accounted for 109,400 pieces of property costing \$388 million.	Perform physical inventory counts of all property with a cost of \$1,000 at over 500 work locations. Discrepancies will be traced and reconciled to accounting records and recommendations to adjust property records will be made.

2007 Audit Plan

Miami-Dade County Public Schools Office of Management and Compliance Audits Fiscal Year 2007 Audit Plan

Departments	Audit	Background	Objectives
PROPERTY AND INVENTORY AUDITS (Continued):			
Various	Audit of Year-end Inventory	At the end of each Fiscal Year inventories are taken at Food and Nutrition, Transportation, Maintenance and Materials Management, Stores and Mail Distribution, and Textbook Inventory Services in support of the year-end annual financial audit.	Observe and participate in, year end inventory-taking and valuation processes in listed departments.
Various	Cycle Counts	As part of the yearly inventory, cycle counts are conducted at Transportation, Maintenance and Materials Management, Stores and Mail Distribution and Textbook Inventory Services.	We will perform surprise cycle counts to ensure that perpetual inventory systems and physical inventories are in agreement.
EXTERNAL AUDITS:			
District-wide	Review of External Audit Reports	Certified financial statements are provided by charter schools and community based organizations as per statute and Board rules.	Review the adequacy of reports and follow-up with program staff on any notable findings.
Charter School Operations	Charter School Operations And Controls	As of FY 06-07, the District will sponsor as many as 67 charter schools with student enrollment of approximately 23,000 and at a cost in excess of \$89 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety and academic performance.	Review the financial operations of selected charter schools to ensure they are using public funds for their intended purpose and in accordance with the contractual obligations of the charter schools with the School Board.
Curriculum and Instruction/ ESE	Community Based Organizations	During FY 06-07, the District will contract with 10 community based organizations primarily for alternative education. Activities will be conducted at 32 campuses serving approximately 3,600 students at a cost of approximately \$16 million.	Review the financial operations of selected community based organizations to ensure they are using funds for their intended purpose and in accordance with contractual obligations.

**Miami-Dade County Public Schools
Office of Management and Compliance Audits
Fiscal Year 2007 Audit Plan**

Departments	Audit	Background	Objectives
EXTERNAL AUDITS (Continued):			
District-wide	Coordinate And Provide Contract Oversight Of External Auditors	District financial statements, Single Audit, Imprest Funds, WLRN, Magnet Education Choice Association, Inc., Miami-Dade Coalition for Community Education, Inc., & Dade Schools Athletic Foundation, Inc. all require audits from external CPAs.	Provide logistical assistance to external auditors and perform contract management.
INTERNAL AUDITS: <i>(The first four audits listed are carryover audits that are already in process.)</i>			
Payroll Department And Various Schools And Departments	Limited Scope Review of Payroll	The District has almost 48,000 full and part time employees and an annual payroll approximating \$1.6 billion. The centralized payroll function encompasses the processing of all employee compensation including reimbursement of travel expenses.	Perform testing to ensure adequate internal controls and systems are in place especially for the timely removal of terminated employees. Follow up on April, 2003 audit.
Maintenance Operations	Materials Purchasing	During FY 05-06, there were more than 70,000 maintenance work orders, reflecting the use of materials and supplies costing about \$16 million.	Review material requisitions and cost allocation to determine the propriety of materials and supplies usage and whether adequate controls are in place to ensure their proper use.
Land Use	Facilities Lease and Rental Agreements	M-DCPS currently has 34 active lease agreements where the School Board is the Lessee, 30 where the School Board is the Lessor, 10 between the School Board and the Miami-Dade County and 2 between the School Board and other cities within Miami-Dade County. The total annual lease payments were approximately \$2.6 million for the FY 05-06, while the total lease revenues were approximately \$286,000 for the same period.	Review the process of site selection, negotiation and award of leases for propriety, and basis, i.e. needs assessment. We will also test a sample of lease payments and revenues for compliance with lease agreements and assure comparability to market rates.

2007 Audit Plan

Miami-Dade County Public Schools Office of Management and Compliance Audits Fiscal Year 2007 Audit Plan			
Departments	Audit	Background	Objectives
INTERNAL AUDITS (Continued):			
Department of Transportation & Facilities	Controls Over Fuel Inventory	Gasoline prices increased in the past 15 months by 30%. Diesel fuel increased by 45%. During the first 10 months in FY 05-06, M-DCPS spent \$1.2 million on gasoline purchases and \$5.6 million on diesel purchases.	Determine: 1) whether internal controls over dispensing and accounting for motor fuel inventories are adequate; 2) whether inventories were maintained at effective and cost efficient levels; 3) whether adequate controls are in place to validate delivery quantity; and 4) if the purchasing practices result in the lowest possible prices.
Office of School Facilities Construction	Award and Administration of Construction Projects	According to the Five-Year Capital Plan (2005-09), more than \$3 billion in facilities needs have been identified. Over the last fiscal year, a shift away from traditional low bid methodology to the Construction Management (CM) at risk contracting method was made. There were over 1,330 CM at risk and Guaranteed Maximum Price (GMP) projects awarded for a combined value of approximately \$1.1 billion. Our last audit was in 2002.	Sample new construction and renovation projects and evaluate the propriety of the award process, project management and internal controls.
School Operations	Custodial Services	Approximately 2,500 custodians report directly to school administrative staff and their primary responsibility is to provide a clean and healthy environment for faculty and students. Schools undergo an annual custodial "audit," as well as walk-through as requested by the principal.	Determine whether workload allocation methodology optimizes resources and outcomes. Determine the adequacy of metrics used to manage and assess address the adequacy of school cleaning programs.

**Miami-Dade County Public Schools
Office of Management and Compliance Audits
Fiscal Year 2007 Audit Plan**

Departments	Audit	Background	Objectives
INTERNAL AUDITS (Continued):			
School Operations – Adult/ Vocational	Adult ESOL Program	English for Speakers of Other Languages (ESOL) program enables adults to acquire English language proficiency. Adult ESOL is a component unit of the General Adult Education program, which has combined funding of \$108 million in the FY 05-06 budget. There are approximately 38,000 students enrolled in General Adult Education.	Evaluate the reasonableness and validity of performance measures; review the program’s efficiency and effectiveness; and verify regulatory compliance. We will also benchmark District practices and costs for reasonableness.
Personnel/ School Police	Employee Certification, Fingerprinting and Background Checks	Approximately 4,200 instructional certifications for employees were processed during FY 04-05. Depending on the nature of the certification, the District may collect processing fees ranging between \$20 and \$56 per certificate. Additionally, in FY 04-05, over 18,400 individuals having contact with the District were fingerprinted. Each individual fingerprinted remitted a fee of \$71 to the District.	Evaluate the processes to determine whether adequate internal controls are in place to ensure that personnel intake processes are adequate and are functioning both efficiently and effectively.
Curriculum and Instruction –Educational Alternative Outreach Program	Educational Alternative Outreach Program Operations	During FY 05-06, the Educational Alternative Outreach Program conducted its activities at approximately 55 centers that enroll an average of 3,000 at-risk students. Community based organizations operate programs under contract with the District primarily for alternative education. These contracts are monitored by the Educational Alternative Outreach Program, which has a staff of approximately 150 employees.	Evaluate the operations of the school’s administrative offices to determine whether adequate support and monitoring of alternative education service providers are in place to ensure delivery of proper education to students enrolled in outreach programs.

2007 Audit Plan

Miami-Dade County Public Schools Office of Management and Compliance Audits Fiscal Year 2007 Audit Plan			
Departments	Audit	Background	Objectives
OTHER ACTIVITIES:			
District-wide	Forensic Audits/ Investigations	This represents forensic audit work requested by and in support of the Inspector General, Police and/or Office of Professional Standards.	Provide forensic auditing, as needed.
District -wide	Recommendations Follow-Up	Audit follow-up is a function of the internal audit process and is required by School Board Rule 6Gx13- <u>2C-1.14</u> , Article IV.B.	Determine whether management implemented prior audit recommendations through limited reviews and inquiries.
Information Technology Services	IT Audits	The District's management information systems are integral to the success of all operations and core functions. In FY 05-06, M-DCPS budgeted \$24 million for information technology. IT audits adds assurance to the integrity of the system, and fosters the efficient use of District resources and prevention/detection of potential waste and abuse.	Work with ITS and Procurement Services to determine scope and number of IT audits and issue an RFP for consultant assurance services in this area.
LONG-TERM PROJECTS:			
Office of School Facilities	Construction Project Claims, Contingencies and Allowance Usage	Change orders often occur on construction projects. The last time we audited change orders (1999), the District's average change order rate was 7%.	Evaluate internal controls and test reasonableness of the value, cause, validity, and propriety of methodology used. Also, benchmark District practices and evaluate costs for reasonableness.

**Miami-Dade County Public Schools
Office of Management and Compliance Audits
Fiscal Year 2007 Audit Plan**

Departments	Audit	Background	Objectives
LONG-TERM PROJECTS (Continued):			
Land Use	In-kind Contributions Received In Lieu of Impact Fees	During the last 5½ fiscal years ended December 31, 2005, M-DCPS received \$215 million in impact fees from residential developers for use in its capital construction program. Developers are sometimes obliged to provide additional cash and land. Between March 2003 and January 2006 an additional \$8.48 million and 16 acres of land was contributed.	Evaluate the processes and controls used to determine the value of contributions received in lieu of cash and test the reasonableness of the values of contributed cash and land.
Procurement/ Maintenance Operations	Maintenance Work Order Costs Standards	Maintenance Operations has about 900 trades people and is responsible for repairs at over 350 facilities. During the 2005-06 fiscal year more than 73,000 work orders with associated costs of \$62 million were issued.	Evaluate processing procedures for its effectiveness and efficiency and compare standard and actual unit costs and time to industry standards.
Construction	Audit of Construction Project Warranty	A variety of warranties are associated with each completed construction project. Warranties can range from one to twenty years.	Evaluate the processes and controls designed to ensure that warranty work is identified timely, tracked, and suitably addressed by the warrantors.
Construction	Project Closeout	A/E/s and construction contractors must ensure that building systems function properly provide operations manuals, training and other documents are provided so that the projects can be closed out.	Evaluate the processes and controls to ensure timely and effective closeout practices.



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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Ms. Carolyn Spaht
Chief of Staff



Mr. Allen M. Vann
Chief Auditor

Mr. Jose F. Montes de Oca
Assistant Chief Auditor



Contributor to this report:

Ms. Maria T. Gonzalez, CPA
District Director



The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, 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 sex 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.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.

2006 ANNUAL REPORT AND 2007 AUDIT PLAN



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