

MIAMI-DADE COUNTY PUBLIC SCHOOLS



OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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Ms. Perla Tabares Hantman, Vice Chair
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Dr. Marta Pérez

Mr. Alberto M. Carvalho
Superintendent of Schools

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Office of Management and Compliance Audits

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Staff from the Office of Management and Compliance Audits

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Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

Alberto M. Carvalho

Miami-Dade County School Board

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September 2, 2010

Members of the School Board of Miami-Dade County
Members of the School Board Audit Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

It is my pleasure to present the Annual Report from the Office of Management and Compliance Audits for the 2009-2010 fiscal year. Pursuant to School Board Rule 6Gx13-2C-1.14, "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." This report summarizes the auditing activities for the 2009-2010 fiscal year, and includes the Audit Plan for the 2010-2011 fiscal year. Developments during the summer and feedback from the administration resulted in some minor adjustments to the Proposed Audit Plan presented to you at the June 29, 2010 meeting.

The end of fiscal year 2009-2010 marked my first full year as the Chief Auditor for Miami-Dade County Public Schools, and what a year it was. During this year, the school system ventured through the most financially perilous chapter in M-DCPS' history, while attaining unprecedented gains in many ambits.

We at the Office of Management and Compliance Audits joined in this journey and not only did we complete the Audit Plan laid out for the 2009-10 fiscal year, but surpassed it by conducting audits that were requested by the administration, and that were instrumental in resolving some of their issues of concern.

As you will see throughout the pages of the summary of activities that follow, *we did more with less and not only worked hard but smarter to capitalize on our limited resources.*

These achievements could not have been realized without the support and untiring efforts of staff from the Office of Management and Compliance Audits; and without the unwavering leadership of the Audit Committee and School Board's staff.

I would be remiss if I did not acknowledge the collegiality extended to me by the Superintendent since the day I arrived, and the atmosphere of mutual respect and collaboration under which we have operated. All of the above coalesced and made 2009-2010 an unprecedented year.

Respectfully yours,

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

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ABOUT OUR OFFICE

- ▶ The Office of Management and Compliance Audits was established by the School Board pursuant to the School Board Rule 6Gx13- 2C-1.14 *Office of Management and Compliance Audits*.
- ▶ We are responsible for providing the School Board, the School Board Audit Committee, and the Superintendent of Schools with an independent and objective evaluation of the fiscal activities in the school district.
- ▶ The above task is accomplished through the issuance of various audit reports that are filed as a public record of the organization.
- ▶ We advise the administration on many issues related to the fiscal operations of the school system by participating as non-voting members in several committees, and also by the issuance of various correspondence on issues dealing with fiscal and operational matters.
- ▶ An annual audit plan is prepared that governs the activities of the office, which includes input from the administration, the School Board and the School Board Audit Committee.

OUR MISSION

- ▶ To provide an independent appraisal activity as a service to the School Board through the Superintendent and the Audit Committee.
- ▶ Through the internal audit process, our office assists 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, rules 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

- ▶ The Chief Auditor and the Office of Management and Compliance Audits shall report to the Audit 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 to the School Board, the Board's Audit 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, independent auditors, and other outside audit entities).

ROLE OF THE AUDIT COMMITTEE

- ▶ The School Board Audit Committee supervises 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.***
- ▶ The Audit Committee reviews the work of the external auditors, the work of other auditors who provide financial audits on charter schools and other components of the School District; and the work of the State Auditor General.
- ▶ Its general purpose is to ensure that the overall audit coverage of Miami-Dade County Public Schools is sufficient and appropriate to protect 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.

OUR RELATIONSHIP WITH THE AUDIT COMMITTEE

- ▶ The Office of Management and Compliance Audits is entrusted with the responsibility of providing service and support to the Audit Committee, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the Chair of the Audit Committee, gathering the supporting documentation for distribution, and ensuring the smooth operation of the Committee affairs.

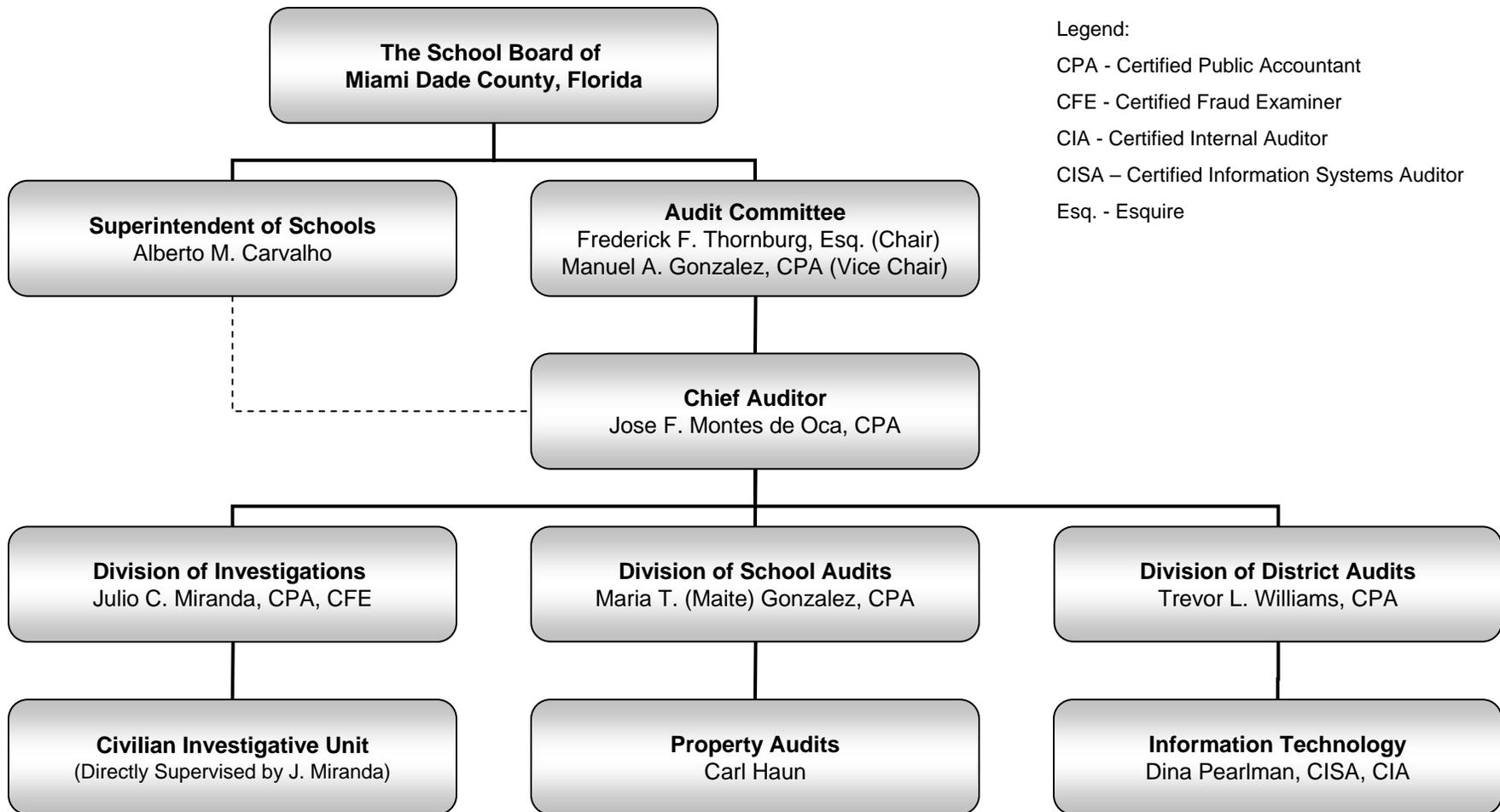
OUR RELATIONSHIP WITH THE SCHOOL BOARD

- ▶ By designating the responsibility of supervising the internal audit department to the Audit Committee, the School Board is in the cutting edge of best practices of both private industry and governmental agencies, as to how an internal audit department should report, independent from management and free from possible undue influence while discharging its responsibilities.

AUDIT COMMITTEE MEMBERSHIP 2009-2010 FISCAL YEAR

Audit Committee Member	Title	Professional Affiliation	Appointment Information
			School Board Member
Mr. Frederick F. Thornburg, Esq.	Chair	Former Partner Barnes & Thornburg LLP and Past President and Member of Board of Directors Wackenhut, Intl.; currently serves on Charitable, Civic, Academic and Company Boards	Mr. Renier Diaz de la Portilla
Mr. Manuel A. Gonzalez, CPA	Vice-Chair	Accounting/Auditing Professional Manuel A. Gonzalez, CPA	Mr. Agustin J. Barrera
Ms. Perla Tabares Hantman, School Board Vice Chair	Voting Member	School Board Vice Chair Representing the Board	Dr. Solomon C. Stinson
Ms. Susan Kairalla	Voting Member	Volunteer	Dr. Marta Pérez
Mr. Willie Kemp	Voting Member	Assistant Controller Florida Memorial College	Dr. Wilbert "Tee" Holloway
Mr. Peter A. Lagonowicz, Esq.	Voting Member	Associate Attorney International Tax/Estate Planning Shutts & Bowen, LLP	Ms. Ana Rivas-Logan
Ms. Wendy Lobos	Voting Member	Councilwoman City of Homestead	Dr. Lawrence S. Feldman
Mr. Rayfield McGhee, Esq.	Voting Member	Managing Partner McGhee & Associates LLC	Dr. Solomon C. Stinson
Mr. Robert W. Schomber	Voting Member	Consultant FPL	Dr. Martin S. Karp
Mr. Nick P. Tootle, CPA	Voting Member	Partner Kaufman, Rossin & Co.	Ms. Perla Tabares Hantman
Dr. Richard H. Hinds	Non-Voting Member	Associate Superintendent/Chief Financial Officer	N/A
Mr. Jose F. Montes de Oca, CPA	Non-Voting Member	Chief Auditor, Office of Management and Compliance Audits	N/A

ORGANIZATIONAL CHART



Legend:

CPA - Certified Public Accountant

CFE - Certified Fraud Examiner

CIA - Certified Internal Auditor

CISA – Certified Information Systems Auditor

Esq. - Esquire

AUDIT REPORTS ISSUED BY THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

- ▶ We have classified the audits prepared and presented by the Office of Management and Compliance Audits into five categories:
 - 1) School audits;
 - 2) Property audits;
 - 3) Internal audits;
 - 4) Investigative audits; and
 - 5) External Audits.
- ▶ A summary of the work performed by the Civilian Investigative Unit (CIU) is reported as part of the Investigative Audits since CIU reports to the Investigative Audits Division.
- ▶ CIU's casework represents part of non-audit services, since they are not required to comply with government auditing standards.

SCHOOL AUDITS

- ▶ **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.**
- ▶ **The scope of our school audits is based on individual evaluations at each and every school, considering materiality, past audit findings/experience, size of school staff, principals' tenure, etc. Based on this assessment, we determine the scope of audit work at each school.**
- ▶ **This year, we reviewed internal funds and property procedures at 313 of 356 schools and centers (88%).**

At selected schools we reviewed the following:

- ▶ **Payroll records and procedures at 161 schools (51%).** This consisted of a review of payroll procedures and documentation related to the preparation of the most current payroll records, which include time and attendance and leave records. This review also includes the reporting of payroll at the schools, and the controls over the payroll function.
- ▶ **The Purchasing Credit Card Program (P-Card) at 70 schools (22%).** This consisted of the review of the procurement credit card reconciliations and supporting documentation; and a test of expenditures to ensure they are in compliance with established procedures.

SCHOOL AUDITS (Continued)

- ▶ **Data security management report and school site IT security audit assessment at 99 schools (32%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate. Of the **99** schools, IT audit staff also reviewed the School Site IT Security Audit Assessment at **31** schools. This self-assessment tool, which was developed by our office in collaboration with Information Technology Services (ITS), is used by the schools to evaluate their compliance with Network Security Standards and all other related district security policies. Once completed, it is submitted to our office for review. As part of the school audit process, IT audit staff visited schools to verify the accuracy of the information provided on the assessment, and made recommendations for improving network security as needed.
- ▶ **Title I Program audits were selectively conducted at 10 schools (3%).** At the schools, principals administer Title I programs with oversight from the region offices, and under the general direction of the Title I Administration Office. Schools must follow specific criteria for the use of Title I funds as delineated in the *Title I Administration Handbook*. Our audit covers the procurement process of supplies and equipment at the schools with Title I funds, which is conducted through regular District channels or via use of the P-card Program, depending on the amount. We review salary expenditures, which must comply with budgetary requirements and must be directly related to activities associated with Title I. We also review parental involvement and professional development activities.
- ▶ **FTE audits were conducted at 38 schools (12%) 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 examine 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 FEFP. We review records related to student attendance, Special Education, English Language Learners, Cooperative Education and Teacher Certification.

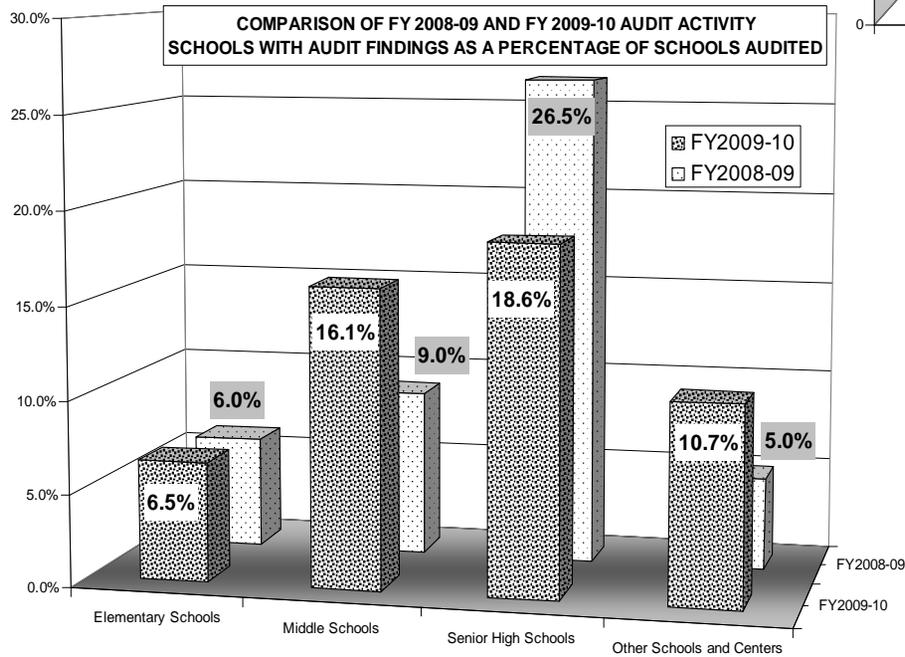
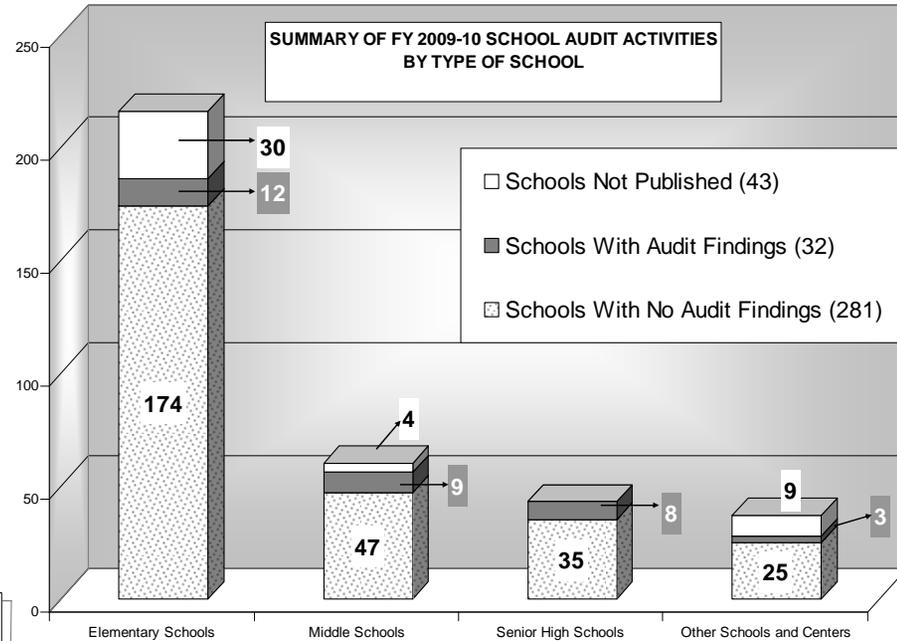
SCHOOL AUDITS (Continued)

SUMMARY OF SCHOOL AUDIT RESULTS AND COMPARISON TO PRIOR YEAR RESULTS

- ▶ We found that of 313 schools audited this year, 281 schools (90%) conducted their financial affairs in accordance with District policies and maintained good internal controls.
- ▶ At 32 schools (10%) of the 313 schools audited there were opportunities for improvement (audit findings cited).
- ▶ Last year, of 337 schools audited, 29 were cited with audit exceptions.
- ▶ Compared to last year's results, the number of schools with audit exceptions slightly increased this year, while the overall number of school audits *decreased—mostly due to staff reductions which have impacted our office and school site administration.*
- ▶ Although the number of school audits conducted this year decreased for the reason stated above, our audit coverage (88%) surpassed the goal established in the 2009-10 Annual Plan, which called for the completion of audits at 70-80% of the schools. A total of 43 schools and centers (12%) will undergo two-year audits in 2010-11.
- ▶ The total number of individual audit exceptions issued to school sites this year was the same as last year's (51).

SCHOOL AUDITS (Continued)

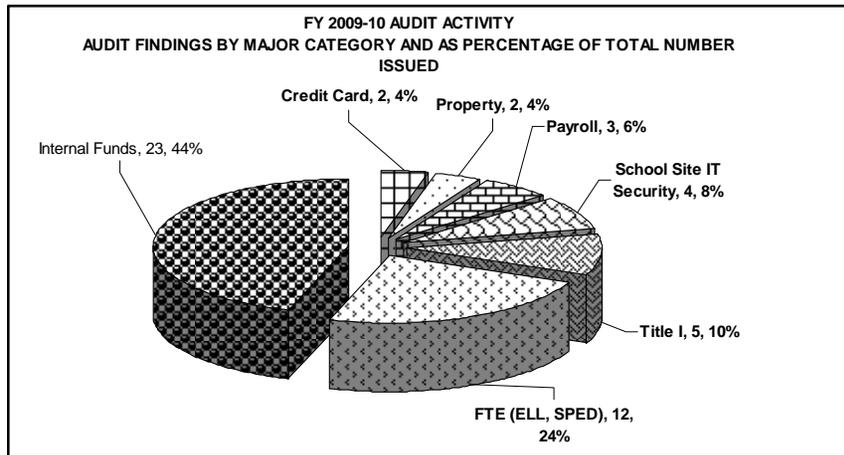
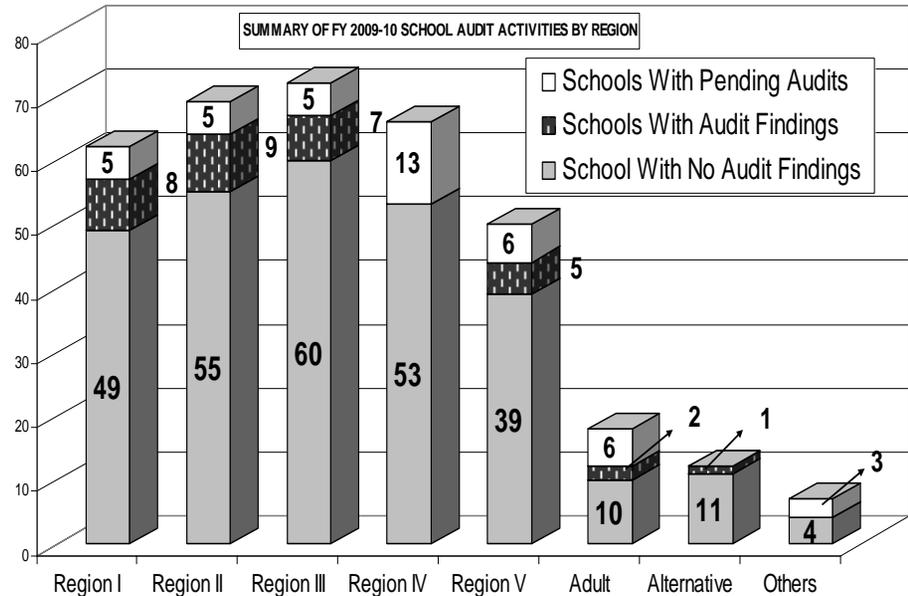
► The graph to the right depicts the breakdown of district schools arranged by Elementary, Middle, Senior High and Other Schools and Centers (Alternative Ed., Adult Ed., Specialized Ed., etc.), depending whether the school had audit findings/no audit findings published, or the school audit was pending publication as of the end of the 2009-10 fiscal year.



◀ When compared to last year's school audit results, we noted a *decrease in the number of senior high schools with audit findings this year*. The graph to the left shows that by comparison, the rest of the schools still require attention since percentages increased or remained at very similar levels.

SCHOOL AUDITS (Continued)

- ▶ The breakdown of school audits reported by region shows the heaviest concentration of schools with audit findings in Region II (9), followed by Region I and Region III (with 8 and 7, respectively).
- ▶ Going forward, those schools with audit findings should review procedures with staff for awareness and understanding and should strengthen oversight over the affected areas.



- ◀ As the pie chart depicts, audit findings at the schools were mostly in the area of Internal Funds, followed by FTE and Title I.

PROPERTY AUDITS

- ▶ The Office of Management and Compliance Audits is responsible for ensuring that the School District accounts for all of its personal property. At M-DCPS, the management of property items must comply with the guidelines established in the *Manual of Property Control Procedures*.
- ▶ The Rules of the Auditor General, Chapter 10.400 and Chapter 274.02 of the Florida Statutes require that a complete physical inventory of all property be taken annually, be compared with the property records, and discrepancies be identified and reconciled.
- ▶ Accordingly, our office conducts yearly inventories at each school of all property items with an individual value of \$1,000 or more, the results of which are reported as part of the school audits. Property audits at non-school site locations are conducted during the summer months, when most school staff is on vacation.
- ▶ **During 2009-2010FY our Property Auditors visited over 300 work locations and accounted for approximately 84,000 items with an approximate cost of \$325 million; of which approximately \$138,000 (0.04%) was reported as “unlocated”, and \$429,000 (0.13%) was reported missing through the Plant Security Report process. The combined loss rate was only 0.17%. The following table analyzes the physical inventory results for the District:**

PHYSICAL INVENTORY RESULTS 2009-2010 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	
Region I	\$ 46,020,540	\$ 32,343	\$ 185,260	\$ 217,603	0.47%
Region II	35,446,746	15,835	81,365	97,200	0.27%
Region III	35,595,339	58,295	62,884	121,179	0.34%
Region IV	26,056,615	10,530	28,075	38,605	0.15%
Region V	31,521,422	4,455	47,562	52,017	0.17%
Other Centers	2,724,294	1,105	11,572	12,677	0.47%
Transportation	103,277,313	-	1,191	1,191	0.00%
Maintenance	26,797,813	-	1,004	1,004	0.00%
Administration	17,209,278	15,468	9,893	25,361	0.15%
Total	\$ 324,649,360	\$ 138,031	\$ 428,806	\$ 566,837	0.17%

INTERNAL AUDITS

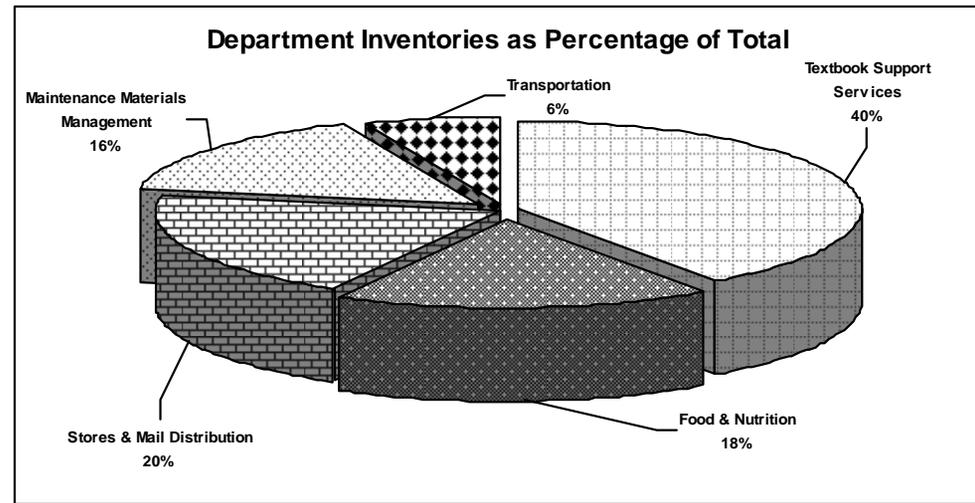
Audit of Inventories as of June 30, 2009 Report (December 2009)

Department/Unit	Perpetual Inventory	Adjustment to Perpetual	General Ledger 6/30/09
Textbook Support Services (1)	\$ -	\$ 5,910,311	\$ 5,910,311
Food and Nutrition	2,607,275	-	2,607,275
Stores and Mail Distribution (2)	2,822,460	95,995	2,918,455
Maintenance Materials Management (3)	2,275,670	18,542	2,294,212
Transportation (4)	<u>941,425</u>	<u>-</u>	<u>941,425</u>
Total Inventory	<u>\$ 8,646,830</u>	<u>\$ 6,024,848</u>	<u>\$ 14,671,678</u>

➤ We examined the inventory balances as reported in MDCPS' Annual Financial Report for the fiscal year ended June 30, 2009 for Textbook Support Services, the Department of Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management, and the Department of Transportation.

- (1) No perpetual inventory system is maintained for textbooks.
- (2) Adjustments consisted of \$96,219 received after the cut-off date and (\$224) withdrawn stock during inventory period.
- (3) Adjustments consisted of \$17,778 received after the cut-off date and \$764 in department count adjustments.
- (4) The general ledger balance includes an accounting adjustment of (\$13,604) to agree the physical inventory balance to perpetual. Of this adjustment, \$37,461 for parts and (\$51,065) for tires were not specifically identified by DOT.

- Year-end inventories decreased 25% from \$19.6 million at June 30, 2008 to \$14.7 million at June 30, 2009.
- In our opinion, the inventories were fairly stated in the Annual Financial Report. However, Transportation continues to experience unexplained variances between the inventory recorded in the perpetual inventory system and the general ledger.



INTERNAL AUDITS (Continued)

FTE Funding Provided To Tree Of Knowledge Learning Academy Charter School For The 2008-09 Fiscal Year (September 2009)

- ▶ This audit concluded that \$106,685 of the Florida Education Finance Program (FEFP) funding claimed/received by TOKLA for the 2008-09 fiscal year should be disallowed and returned to the Florida Department of Education (FDOE). This amount does not include \$5,615 in FEFP funds retained by the district for carrying out its sponsor responsibilities. The documentation TOKLA provided did not support the delivery of instructional services to some students claimed to be eligible in accordance with applicable statutes, rules, regulations, policies, and/or contracts. Subsequent to discussing our draft audit report with TOKLA's management, the School's Board of Directors unanimously voted to surrender the School's charter effective July 31, 2009.

Miami-Dade Schools Police Department Procurement Card and Other Purchases (December 2009)

- ▶ Our audit disclosed several weaknesses in the internal controls over the M-DSPD procurement credit card function, including but not limited to unauthorized purchases, untimely submittal of the reconciliation work sheets, and lack of advanced approval and support of transactions. Notwithstanding these weaknesses, to current management's credit, the process has improved in the last fiscal year. In addition, impropriety and lack of internal controls also exists over other purchases. Some of the conditions noted included paying for goods and services without proper support or without adhering to School Board rules; paying on inaccurate invoices, which resulted in vendor overpayments; posting purchases to the incorrect account funding structure; and not tagging equipment valued over the established threshold, as required by district policies.

Audit of District's Electronic Instructional Technology Purchasing and Placement Practices (March 2010)

- ▶ This audit concluded that the objective of providing schools with new computers was largely being met; and, for the most part, the target population was using these computers. Although the criteria and methodology used to prioritize the ranking of school sites for computer placement were not documented, we found them to be sound. However, while a substantial level of relative equalization occurred, a greater level of equalization could have been achieved at some schools.

INTERNAL AUDITS (Continued)

- ▶ The audit also concluded that the department's operating guidelines and procedures relative to instructional computer purchases and placement needed to be better documented. The bid specifications and purchasing decisions were not aligned with district school site needs. A total unused inventory of approximately \$271,000 was counted at the 22 school sites visited. We were able to trace \$214,700 of that amount directly to purchases made by Instructional Technology.

Audit of the School Board Attorney's Office (March 2010)

- ▶ Through this audit, we found that adequate internal controls were in place over certain operating practices in the School Board Attorney's Office. Organizationally, the Office was structured and positioned to be effective. The ratio of attorneys-to-support staff appeared to be in line with the same ratio at other local governments surveyed. However, we noted a number of other district offices/departments outside of the Board Attorney's responsibilities managed significant legal activities. We also found no material exceptions in the time and attendance recordkeeping of the Office's bi-weekly payroll.
- ▶ Our audit further concluded that reimbursement for expert witness fees were not pre-approved by written submittal, as required, and pre-litigation and ongoing cost/benefit and budgetary control analyses were not formally prepared. We also noted that during the tenure of the previous School Board Attorney, some attorneys were permitted to work from home on some days without a proper telecommuting policy and procedure being in place. The practice was discontinued in December 2008.

Audit of Division of Social Sciences and Life Skills (June 2010)

- ▶ We performed an audit of the Division of Social Sciences and Life Skills for the period July 1, 2007 to June 30, 2009.
- ▶ Our audit disclosed compliance with board rules and regulations when hiring professional services. These services were performed by vendors that possess specific expertise and experience that otherwise would not be available through the District.

INTERNAL AUDITS (Continued)

- ▶ In most cases, the Division maintained complete and accurate records substantiating payment to these vendors. However, there was one instance where the services provided was incomplete. The value of those services was \$30,000. There were also two instances where there was no documentation on file to substantiate payments for the services. There were no evaluations presented for audit for programs serviced by some Community-Based Organizations. In addition, the evaluations presented for some of the programs audited disclosed that some of the program's objectives are not being met. Also, several instances of late payments were disclosed by our audit.

Audit of Fringe Benefits Administration (June 2010)

- ▶ We performed an audit of the fringe benefits administration function contracted to Fringe Benefits Management Company (FBMC) for the period January 1, 2007 to December 31, 2009. The contracted services provided during the stated audit period were procured through the issuance of Request for Proposal (RFP) 094-FF10 in June 2006.
- ▶ Our audit concluded that while the RFP process in 2006 was generally adequate and compliant with best practices, however, some apparent confusion may have limited the number of proposals received; only one was received. During the course of the contract period audited, the District's Risks and Benefits Office (R&BO) management successfully renegotiated a lower third party administrator (TPA) fee with FBMC, but did not communicate this to the Board. An important cost driver for determining the TPA fees was not clearly stated in the contracting agreement or Board item, and staff did not validate the TPA's commission values used in determining the TPA fees. In addition, we recommended that the District explore alternative pricing of TPA fees for employees who decline medical benefits and are not enrolled in other flex benefits. Improved monitoring of TPA contract deliverables and collection of performance standard and guarantee (PS&G) penalty were also needed.

Review of M/WBE Program Annual Expenditure Reports for the Fiscal Years Ended June 30, 2007, June 30, 2008, and June 30, 2009 (June 2010)

- ▶ We reviewed the Minority/Women Business Enterprise (M/WBE) Program Annual Expenditure Reports prepared by the Office of Compliance and Business Services for fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, and supporting documentation used to prepare the reports. Our review confirmed the trend of reduced expenditures by the District and the resulting reduced M/WBE expenditures and participation shown in the annual reports for the three years reported. Our review also disclosed that payments to certified M/WBE vendors, as a percent of District expenditures, fluctuated up and down during the period reported. However, we did not provide assurance on the accuracy of the expenditures reported in the M/WBE Program Annual Expenditure Reports.

INTERNAL AUDITS (Continued)

Follow-up Review on the Audit of the Construction Plan Review, Permitting, and Inspection Processes (March 2010)

- ▶ We reviewed the actions taken by management to implement the recommendations included in our prior internal audit report Construction Plan Review, Permitting, and Inspection Processes. That report was issued January 31, 2006. Our follow-up review concluded that of the 10 recommendations, management fully implemented six (6) and partially implemented two (2). The remaining two (2) recommendations remain unresolved, due largely to management's limitations.

Follow-up Review on the Audit of Emergency Management and Disaster Recovery (May 2010)

- ▶ We reviewed the actions taken by management to implement the recommendations included in our prior internal audit report Emergency Management and Disaster Recovery. That report was issued September 6, 2006. Our follow-up review concluded that of the 16 recommendations, management fully implemented 13 and partially implemented three (3).

Follow-Up Review of Requests for Payment By Bureau Veritas for Environmental Site Assessment and Remediation Services (June 2010)

- ▶ We completed a review of requests for payment by Bureau Veritas for environmental site assessment and remediation services provided and found savings of \$130,017 resulting from billing errors and discrepancies.

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 Principals or other Administrators. In addition, our Investigative Division assists the investigative unit of the Miami-Dade Schools Police Department when requested.
- ▶ Our Director of Investigations is responsible for overseeing these cases. In cases involving school audits, he works in collaboration with the Assistant Chief-School Audits Division.
- ▶ This year, this division completed nine separate investigations. Five were reported in the school audits, and the rest were reported to the appropriate departments/law enforcement agencies for further resolution. The five cases reported in the school audits were as follows:

Corporate Academy South

- ▶ The Principal requested a police investigation after discovering that the school treasurer had made several unauthorized purchases with the Purchasing Credit card (P-Card). Our review disclosed that the treasurer misappropriated \$2,261 in P-card purchases and cash collections. She admitted in writing to misuse of the P-card, restituted \$1,294, and resigned from the school system. She was charged with Grand Theft in the Third Degree and was later arrested by the police. Her personnel records have been identified to preclude future employment.

Leisure City K-8 Center

- ▶ The Principal requested an investigation because of discrepancies with the checking account's bank statements and the documentation supporting the deposits. We found that the former treasurer fabricated bank statements and deposit records to conceal her withholding of funds, which she later replaced. We determined that the former treasurer abused her position to obtain a personal benefit. The case was referred to the State Attorney's Office for its consideration.

INVESTIGATIVE AUDITS (Continued)

Myrtle Grove Elementary

- ▶ The former Program Manager did not follow the procedures for recording student payments and student attendance, and did not enforce the collection of fees for services rendered. Consequently, student payment and attendance records disclosed various errors and discrepancies. Other than the discrepancies noted during our review of the records, nothing came to our attention to indicate that monies received had not been deposited in the bank.

Charles R. Drew Middle

- ▶ The Principal reported the disappearance of four deposit bags totaling almost \$2,000 from the school's safe. We could not determine the identity of the person(s) who stole these funds because the deposit storage area was accessible to several individuals.

Design and Architecture Senior (DASH)

- ▶ The school processed several purchase orders *supposedly* to buy glue and art supplies from a local vendor. However, items purchased included fresh flowers and florist supplies customarily used in floral arrangements. The school had an account with the local vendor and invoices for glue and art supplies were sent to the District to generate payments. The vendor would receive and apply payments to the school's account to cover the actual charges made. Also, funds earmarked for specific projects were inappropriately posted to the Special Purpose account; and the associated expenses were paid with District and other funding sources, thus leaving the Principal with the option to use the funds posted in the Special Purpose account at her discretion. Several professional services contracts of less than \$6,000 appear to have been split to bypass requests for quotes, or review and approval by the Professional Services Contract Committee. Payroll records also revealed some discrepancies.

INVESTIGATIVE AUDITS (Continued)

Investigative cases completed this year and not reported as part of any school audit are as follows :

Misappropriation of Parent Teacher Association (PTA) Funds

- ▶ Pursuant to a request from the School Police's General Investigative Unit based on a referral by Joella Good Elementary's Principal and the PTA, our forensic accounting work revealed that the PTA's Treasurer had misappropriated approximately \$15,000 from the PTA's checking account during an eight-month period ending April 2010. Acting on this information, OMCA staff secured a legally valid written confession from the PTA Treasurer. She was arrested and sentenced to five years probation and restitution of misappropriated funds.

Overstated Property Tax Exemption by the Landlords of Oxford Academy Charter School

- ▶ We identified a charter school landlord who had substantially overstated a charter school property tax exemption over the past six years. OMCA staff met with the Miami-Dade County Property Appraiser on April 26, 2010, who in turn conducted its own investigation and confirmed the improper tax exemption. A lien has been placed on the property to recover more than \$31,000 of back taxes.

Excel Academy, North Charter School

- ▶ OMCA performed forensic auditing and investigative services in April and May 2010 supporting the termination of said charter school's charter contract. In addition to financial mismanagement, the school's previous governance and management engaged in certain transactions that we vigorously questioned. We communicated this information to Charter School Operations for their consideration during future charter school application and contracting activities.

INVESTIGATIVE AUDITS (Continued)

Food Service Manager's Misappropriation of Cafeteria Funds

- ▶ Pursuant to a request from School Police's General Investigative Unit, we performed forensic accounting work and discovered that the food service manager at Mays Middle had misappropriated \$3,075. Acting on this information, our staff secured a legally valid written confession and the manager was arrested shortly thereafter. She was sentenced to three years probation and restitution of misappropriated funds.

CIVILIAN INVESTIGATIVE UNIT (CIU)

Mission

- ▶ To ensure equitable, effective, and efficient processing of complaints 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 complaints*** made against Miami-Dade County Public School personnel relating to School Board Rules 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 rules.

Nature Of Work

- ▶ Complaints that may be referred to CIU include but are not limited to: violations of the Code of Ethics, professional duties and responsibilities, inappropriate employee-student relationships, violence in the workplace (non-criminal), corporal punishment (non-criminal), and unacceptable use of the internet. CIU does not investigate allegations of violation of civil rights.

Personnel Investigative Model (PIM)

- ▶ The PIM is 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. These changes, along with a ***superb*** job by the CIU staff have resulted in a substantial reduction of outstanding cases (from 69 at the end of last year to ten at the end of this year—please, refer to next table):

CIVILIAN INVESTIGATIVE UNIT (Continued)

- ▶ Listed below is the information pertaining to cases located within CIU that were either closed in 2009-2010, or that were pending at the closing of the 2009-2010 fiscal year.
- ▶ Three investigators processed a total of 198 cases during the year, of which 188 were closed by the end of the year. Five cases were re-assigned to the General Investigative Unit (GIU) since we determined it was criminal in nature and one was returned to the administrator that originated the complaint for administrative review*.

	Totals	Probable Cause	No Probable Cause	Unfounded	Supplement-no changes	Withdrawn	Reassigned to AR*	Reassigned to GIU
Prior Year Cases Closed in 2009-10FY	69	21	37	7	4	0	0	0
Cases Opened and Closed in 2009-10FY	119	26	70	9	7	1	1	5
Cases Pending at Year End**	10							
Totals	198	47	107	16	11	1	1	5

* AR-Administrative Review—The case does not merit investigation by CIU and is returned to the administrator that originated the claim for his/her disposition.

**9 cases already closed by the time of this report.

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, OPS will request a **supplemental investigative report**, if appropriate. In instances where additional information is provided, via a supplemental investigative report, OPS will review the information and render a final determination.
- ▶ **Withdrawn** – Complainant recanted or refused to cooperate and withdrew complaint; or employee retired/resigned and no further action deemed necessary.

EXTERNAL AUDITS

The following audit of different School Board operations performed by various external auditors are:

State of Florida Auditor General Report No. 2010-002 – Miami-Dade County District School Board Florida Education Finance Program (FEFP) Full-time Equivalent (FTE) Students and Student Transportation for the Fiscal Year Ended June 30, 2008	State of Florida Auditor General
Auditor General Report No. 2010-022, Report on Financial Trends and Significant Findings in Audits of District School Boards, for the Fiscal Year Ended June 30, 2008	State of Florida Auditor General
Auditor General Report No. 2010-042, Report on Financial Trends and Significant Findings Identified in Charter School and Charter Technical Career Center Audit Reports	State of Florida Auditor General
E-rate Examination Report	KPMG LLP
e-Recruitment Test and Operational Readiness Cutover Plan Assessment Findings and Recommendation Report and M-DCPS Management Response	KPMG LLP
Miami-Dade County Public Schools – Cutover Plan Assessment Findings and Recommendation – FI Addendum M-DCPS Management Comments	KPMG LLP

EXTERNAL AUDITS (Continued)

Financial Audits

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

Audit of the Dade Schools Athletic Foundation, Inc. for FYE June 30, 2009	Sharpton, Brunson & Co., P. A.
Audit of the Magnet Education Choice Association, Inc. (MECA) for FYE June 30, 2009	Sharpton, Brunson & Co., P. A.
Audit of the Miami-Dade Coalition Community Education, Inc. for FYE June 30, 2009	Sharpton, Brunson & Co., P. A.
Audit of WLRN Television and Radio Station for FYE June 30, 2009	Sharpton, Brunson & Co., P. A.
Financial Statement on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County Public Schools as of June 30, 2009	C. Borders-Byrd, CPA LLC
Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2009	KPMG LLP

EXTERNAL AUDITS (Continued)

Audit Report	Audit Firm
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009	Ernst & Young, LLP
External Auditor's Management Letter	Ernst & Young, LLP
Single Audit Report FYE June 30, 2009	Ernst & Young, LLP

Charter School Audits

Charter schools are required to submit independently audited financial statements each year. Our office reviews and presents these audit reports to the Audit Committee for discussion and forwards them to the School Board. The following audits were presented during the 2009-2010 fiscal year:

Charter School	Audit Firm
Academy of Arts and Minds	Jordan, Castellon, Ricardo P.L.
Archimedian Academy	Keefe, McCullough & Co, LLP
Archimedian Middle Conservatory	Keefe, McCullough & Co, LLP
Archimedian Upper Conservatory	Keefe, McCullough & Co, LLP

EXTERNAL AUDITS (Continued)

Charter School	Audit Firm
Aspira Eugenio Maria de Hostos Youth Leadership	Alberni, Caballero & Castellanos, LLP
Aspira South Youth Leadership	Alberni, Caballero & Castellanos, LLP
Aspira Youth Leadership	Alberni, Caballero & Castellanos, LLP
Aventura City of Excellence	McGladrey & Pullen, LLP
Balere Language Academy	King & Walker, CPAs, PL
Charter School on the Beach Middle	Gravier & Assoc, CPA
The Charter School at Waterstone	King and Walker, CPA
City of Hialeah Education Academy	Alberni, Caballero & Castellanos, LLP
Coral Reef Montessori Academy	Verdeja & De Armas, LLP
Doctors Charter School of Miami Shores	Gravier & Assoc, CPA
Doral Academy	Gravier & Assoc, CPA
Doral Academy Charter Middle	Gravier & Assoc, CPA
Doral Academy High	Gravier & Assoc, CPA
Doral Performing Arts & Entertainment Academy	Gravier & Assoc, CPA
Downtown Miami Charter School	GLSC & Company, PLLC

EXTERNAL AUDITS (Continued)

Charter School	Audit Firm
Early Beginnings – Civic Center	Thomas J. Sims, PA
Excel Academy, North	Harvey, Covington & Thomas, LLC
Excelsior Language Academy of Hialeah	Verdeja & De Armas, LLP
Florida International Academy	Keefe, McCullough & Co, LLP
Florida School for Integrated Academics and Technologies Miami-Dade (SIATECH)	James Moore & Co, PL
International Studies Charter High	Gravier & Assoc, CPA
Keys Gate	Keefe, McCullough & Co, LLP
Lawrence Academy Elementary	James Accounting & Tax Practice, PA
Lawrence Academy Middle	James Accounting & Tax Practice, PA
Lawrence Academy Senior High	James Accounting & Tax Practice, PA
Life Skills Center Miami-Dade County	BKHM, CPA
Like Skills Center Opa-Locka	BKHM, CPA
Mater Academy	Gravier & Assoc, CPA
Mater Academy Charter Middle	Berman, Hopkins, Wright & Laham CPAs & Assoc, LLP

EXTERNAL AUDITS (Continued)

Charter School	Audit Firm
Mater Academy East Charter High	Gravier & Assoc, CPA
Mater Academy High	Berman, Hopkins, Wright & Laham CPAs & Assoc, LLP
Mater Academy High School of International Studies	Gravier & Assoc, CPA
Mater Academy Lakes High School	Gravier & Assoc, CPA
Mater Academy Lakes Middle School	Gravier & Assoc, CPA
Mater Academy Middle School of International Studies	Gravier & Assoc, CPA
Mater East Academy Middle School	Gravier & Assoc, CPA
Mater East Charter School	Berman, Hopkins, Wright & Laham CPAs & Assoc, LLP
Mater Gardens Academy	Gravier & Assoc, CPA
Mater Gardens Academy Middle	Gravier & Assoc, CPA
Mater Performing Arts & Entertainment Academy	Berman, Hopkins, Wright & Laham CPAs & Assoc, LLP
Miami Children's Museum Charter School	Gravier & Assoc, CPA
Miami Community Charter	King & Walker, CPAs, PL
Miami Community Charter Middle	King & Walker, CPAs, PL

EXTERNAL AUDITS (Continued)

Charter School	Audit Firm
Oxford Academy	Stuart Sutta & Co., PA
Pinecrest Academy (South Campus)	Gravier & Assoc, CPA
Pinecrest Academy Charter High	Gravier & Assoc, CPA
Pinecrest Academy Charter Middle	Gravier & Assoc, CPA
Pinecrest Prep Academy	Gravier & Assoc, CPA
Renaissance Elementary	Keefe, McCullough & Co, LLP
Renaissance Middle	Keefe, McCullough & Co, LLP
Richard Allen Leadership Academy	SL Gardner & Co, CPA
Rise Academy	Gravier & Assoc, CPA
River Cities Community Charter	Verdeja & De Armas, LLP
Sandor Weiner	Keefe, McCullough & Co, LLP
Sandor Weiner School of Opportunity-South	Keefe, McCullough & Co, LLP
Somerset Academy	Gravier & Assoc, CPA
Somerset Academy (Country Palms)	Gravier & Assoc, CPA

EXTERNAL AUDITS (Continued)

Charter School	Audit Firm
Somerset Academy Charter High	Gravier & Assoc, CPA
Somerset Academy Charter High-South Campus	Gravier & Assoc, CPA
Somerset Academy Charter Middle	Gravier & Assoc, CPA
Somerset Academy Middle School –South Campus	Gravier & Assoc, CPA
Somerset Academy Middle School –Country Palms	Gravier & Assoc, CPA
Somerset Arts Academy	Gravier & Assoc, CPA
Somerset Silver Palms K-8 Center	Gravier & Assoc, CPA
Summerville Charter School	King & Walker, CPAs, PL
The Theodore and Thelma A. Gibson Charter	Gravier & Assoc, CPA
Tree of Knowledge Learning Academy	Ronny Ackerman CPA
Youth Co-Op	GLSC & Company, PLLC

EXTERNAL AUDITS (Continued)

Community-Based Organizations (CBOs)	
<p>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 Committee for discussion and forwards them to the School Board. The following audits were received during the 2009-2010 fiscal year:</p>	
Community-Based Organizations	Audit Firm
AMIkids Miami-Dade, Inc.	Cross, Fernandez & Riley, LLP
Cuban American National Council, Inc.	Rodriguez, Trueba & Company, PA
Richmond-Perrine Optimist Club, Inc.	Nzeribe & Co., PA

OTHER EXTERNAL REPORTS:

Financial Statements of The Foundation for New Education Initiatives, Inc. for the Period from Inception (November 24, 2008 to June 2009)	C. Borders-Byrd, CPA LLC
Review of the Department of Transportation	Council of the Great City Schools
Review of the Department of Food & Nutrition	Council of the Great City Schools
Leak of Non-Public Information Derived from the January 30, 2009 Executive Session of the School Board	Office of the Inspector General
M-DCPS Office of Schools Facilities, Construction Contract Monitoring Practices at Southside Elementary School	Office of the Inspector General
Falsification of Overtime Hours Worked by a Former Miami-Dade County Schools Police Department Sergeant at Campbell Drive Middle School	Office of the Inspector General
M-DCPS Office of the Inspector General – Annual Report Fiscal Year 2008-2009	Office of the Inspector General
Miami-Dade County Worker’s Compensation Program and Action Plan from the Office of Risk and Benefits Management	Office of the Inspector General

NON-AUDIT SERVICES AND ACTIVITIES

District Liaison With External Auditors

- ▶ This office continues to act as liaison with external audit entities, such as the independent auditing firms and the State of Florida Auditor General.

Money Matters Support Program

- ▶ This office continues to actively participate in the Money Matters Support Program that School Operations offers to Principals. This program focuses on improved accountability and the implementation of best business practices at the school sites. During the various sessions offered this year, the Assistant Chief Auditor for the School Audits Division and other audit staff members presented and discussed topics related to school audits.

Audit Presentations To Principals

- ▶ At the beginning of the fiscal year, the Assistant Chief Auditor for the School Audits Division participated as presenter during the New Principals Meeting and Title I Administration training sessions offered to principals of Title I schools. Topics discussed at these meetings related to the School Audits and Title I audits conducted at the schools.

Peer Review Team Leader

- ▶ The Assistant Chief Auditor for District Audits participated as Peer Review Team leader in the peer review of Kansas City, Missouri Chief Auditor's Office. The peer review was sponsored by the Association of Local Government Auditors (ALGA), a national professional association at no cost to M-DCPS.

Staff Participation In Various Committees

- ▶ Pursuant to Board Rule, internal audit staff has been actively participating as non-voting members.

NON-AUDIT SERVICES AND ACTIVITIES

The Ethics Advisory Committee

- ▶ The Ethics Advisory Committee (EAC) was created in 2002 by the School Board to restore the public confidence in our public schools and educate all stakeholders as to the required standards of ethical conduct. The Committee is composed of seven (7) independent volunteer members.
- ▶ The School Board has adopted enhancements to ethics rules recommended by the EAC, resulting in corrective actions to restore the public trust.
- ▶ The Chief Auditor serves as the official liaison to the EAC, charged with facilitating all administrative tasks needed to support the Committee as it strives to discharge its responsibilities.
- ▶ Accordingly, staff from the Office of Management and Compliance Audits prepare the agendas and minutes for the EAC meetings, assist with research, correspondence, and preparation of the annual report; and coordinate presentations by appropriate District staff when their support is required.

Staff Development

- ▶ The audit staff participated in a three-day seminar on January 6-8, 2010 related to State Requirements for Educational Facilities. Also, staff participated in a two-day seminar on February 18-19, 2010 related to SAP business operating solution-Procurement and Financial Modules.
- ▶ Other training included: one day seminar provided by Ernst & Young on May 7, 2010 on governmental/not-for-profit accounting/auditing issues.
- ▶ These training sessions qualify for continuing professional education required under the Government Auditing Standards.

Staffing Issues

- ▶ Our office has lost three positions this fiscal year, two as the result of the most recent reduction in force of the District, where one audit position and one investigative position were eliminated. In addition, one auditor resigned from her position this fiscal year.

FY 2010-2011 Annual Audit Plan and Tentative Budget



Office of Management and Compliance Audits



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Dr. Solomon C. Stinson, Chair
Ms. Perla Tabares Hantman, Vice Chair
Mr. Agustin J. Barrera
Mr. Renier Diaz de la Portilla
Dr. Lawrence S. Feldman
Dr. Wilbert "Tee" Holloway
Dr. Martin S. Karp
Ms. Ana Rivas Logan
Dr. Marta Pérez

Mr. Alberto M. Carvalho
Superintendent of Schools

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

Contributors to this Report:

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

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

Miami-Dade County School Board
Dr. Solomon C. Stinson, Chair
Perla Tabares Hantman, Vice Chair
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Dr. Wilbert "Tee" Holloway
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Dr. Marta Pérez

June 23, 2010

The proposed audit plan for Fiscal Year 2010-2011 was developed in concert with supervisory personnel from the Office of Management and Compliance Audits, applying a systematic risk assessment on a limited basis and using traditional time-proven techniques that assist us in deciding the audits that should be conducted this coming year.

This year, school audits follow the audit plan implemented in prior years, thus giving audit priority to senior high schools, schools with a change of principal since the previous audit and schools with high audit risk. District-wide audits will consist of audits in the areas of facilities, grants, food service and IT, among others.

Although the primary responsibility for the audit plan rests with the Chief Auditor and this office, we welcome input from the School Board and Audit Committee members, the Superintendent, and senior staff, to make this plan effective and complete. Any changes or additions to the plan will be incorporated into the final audit plan and brought to the September 2010 Audit Committee meeting for your consideration and approval.

Respectfully yours,

Jose 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 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 361 Schools and Centers**
 - Financial statements of internal funds;
 - Payroll;
 - Purchasing Credit Card Program;
 - Federal Funds/Title I;
 - Florida Education Finance Program/FTE;
 - Data Security & Reports; and
 - Property Audits



School Audits Division

Changes to Audit Coverage To Better Resource Allocation:

- Internal Funds to be audited at 80-85% of schools:
 - Audit priority to senior high schools and schools with change of Principal
 - Selection based on audit risk
 - Selected group of low-risk schools to be audited every two years
- Payroll, Credit Card, Title I, FEFP and Data Security audits to be conducted at selected schools
- Property Audits at schools following audit plan

District Audits Division

Internal Audits

- One Carryover Audit from FY 2009-2010
 - Review of Controls/Accountability/
Transparency Mechanism Over ARRA
Disbursements

Internal Audits Carryover

Review of Controls/Accountability/ Transparency Mechanism Over ARRA Disbursements

- The America Recovery and Reinvestment Act (ARRA) has extremely rigorous accountability and transparency requirements. The district has received ARRA provided funds and would need to ensure that sufficient and adequate internal controls are in place over the use of these funds to comport with these requirements and prevent fraud, waste, and abuse.
- The objective of the audit is to evaluate the internal controls in place over the use of ARRA dollars to ensure the risk of fraud, waste, and abuse is minimized.

District Audits Division

Four New Internal Audits Planned

- MPA/M-DCPS Parking Lease Revenues
- Pre-Construction Services
- Grants Management and Controls
- Food & Nutrition Cafeteria Receipts

Two New IT Audits Planned

- ITS Network & Information Security At School Sites
- District Offices Network & Information Security

District Audits Division

Miami Parking Authority/M-DCPS Leasing Revenues

- Beginning in 2006, Miami Parking Authority (MPA) and M-DCPS have been parties to an agreement, whereby M-DCPS has granted MPA authorization to use its parking facilities during non-working hours to provide parking accommodations to the Miami Performing Arts Center (Arsht Center). The agreement calls for revenue sharing between the MPA and M-DCPS of the parking receipts. Over the course of that agreement, gross receipts have totaled \$412,000. M-DCPS is anticipating executing a new agreement with the MPA in September 2010. Staff has requested that OMCA perform an audit of the parking receipts reported by the MPA prior to executing the new agreement.
- We will audit the parking receipts reported by the MPA to ascertain their completeness and whether M-DCPS has received the appropriate amount of revenues.

District Audits Division

Pre-Construction Services

- In January 2009, the OMCA published an internal audit report on construction claims, allowances, and contingencies, which reported the District's average change order rate to be 7%, with \$5.7 million in change order and contingency adjustments for M-DCPS projects. Of that amount, \$862,000 we believed to have been preventable through pre-construction discovery.
- We will review the pre-construction services provided to the District by contracted firms to determine their compliance with contract deliverables and expectations.

District Audits Division

Grants Management and Controls

- M-DCPS currently manages more than 180 non-Title I grants totaling \$464 million. These grants are funded by various federal, state, and local agencies, and private entities.
- We will review the internal controls over the District's grants management function to ensure that adequate safeguards are in place.

District Audits Division

Food & Nutrition Cafeteria Receipts

- Receipts for meals served in M-DCPS' cafeterias are accounted for centrally. The annual cafeteria receipts average approximately \$30 million.
- We will evaluate internal controls over the cash receipts, deposit, and reconciliation processes to ensure that controls are adequate and the necessary safeguards are in place.

District Audits Division

ITS Network & Information Security At School Sites

- Along with M-DCPS increased use of technology, including the web, the exposure to risks has also increased. IT audit and oversight is needed to provide reasonable assurance that the controls embedded in the IT systems are performing as designed, and that schools are in compliance with M-DCPS' Network Security Standards.
- Working through the six ITS Network Support groups, we will determine whether adequate internal controls are in place at selected individual schools to ensure network security and whether current District Network Security Standards are being adhered to.

District Audits Division

District Offices Network & Information Security

- District departments store and manipulate vast amounts of data, including student, personnel, business, and accounting records.
- Our objective will focus on providing reasonable assurance that the risk of unauthorized access, modification, disclosure, loss, theft, disposal, or removal of data is minimized. We will also assess the level of technological support provided by ITS, and whether current District Network Security Standards are being adhered to.

District Audits Division (Long Range)

Five Long Range Audits

- Audit of Roofing Replacement Program
- Audit of Procurement Credit Card Controls
- Audit of Capital Construction Direct Purchases
- ITS - Information Technology Security Controls
- Energy Management

District Audits Division (Long Range)

Audit of Roofing Replacement Program

- Maintenance Operations is responsible for replacing roofs that have outlasted their useful lives. The annual budget for this program historically has exceeded \$15 million and involved 7 to 25 planned projects.
- This audit will evaluate contracting methodology, pricing and administration to ensure that there is effective and efficient pricing and cost control procedures in place.

District Audits Division (Long Range)

Audit of Procurement Credit Card (P-Card) Controls

- The District procures a substantial amount of goods and services using P-cards. During FY 2009-10, P-card transactions executed via 500 plus cards issued throughout the District totaled \$13 million.
- Our audit objective will be to evaluate the effectiveness of the internal controls in place over P-cards and the propriety of related expenditures.

District Audits Division (Long Range)

Audit of Capital Construction Direct Purchases

- The School District's Proposed Five-Year Capital Plan has identified almost \$603 million of estimated facilities needs. According to Facilities, more than \$90 million were allocated for direct purchases during the last five fiscal years. The costs of materials used in the underlying projects could range between 40-50% of the facilities costs, and are normally subject to 7% sales tax, unless purchased directly by the District.
- We will sample new construction and renovation projects and evaluate the propriety of the amount of direct purchases received and the internal controls over managing these purchases.

District Audits Division

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 is 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

Energy Management

- The District Inspections, Operations and Emergency Management (DIOEM) Department is responsible for monitoring and programming the District's energy management systems. Energy services costs for FY 2009-10 are projected at \$102 million. DIOEM also manages approximately \$4.2 million in contracts for systems performance monitoring and verification and equipment maintenance and services.
- The audit will focus on identifying efficiencies and cost savings opportunities that may be achieved by having good systems in place, as well as establishing energy conservation programs at schools and district offices.

Other Non-Audit Services

Charter School Fiscal Review

- During FY 2009-10, the District sponsored as many as 84 charter schools with student enrollment of approximately 30,800 and estimated costs in excess of \$230 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety, and academic performance. We will review audits submitted by these schools and present them to the Audit Committee for its review, input, and transmittal to the School Board.

Community Based Organization Fiscal Review

- During FY 2009-10, the District contracted with three (3) community-based organizations primarily for alternative education. Activities were conducted at five (5) campuses serving up to 524 students at a cost of approximately \$2.5 million. We will review audits submitted by these entities and present them to the Audit Committee for its review, input, and transmittal to the School Board.

Other Non-Audit Services

Review of External Audit Reports

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

Coordinate and Provide Contract Oversight of External Auditors

- The District's financial statements, operational and federal awards (Single Audit) audits will be conducted next year by the State of Florida Auditor General. In addition, Impact Fees, WLRN, Magnet Education Choice Association, Inc., Miami-Dade Coalition for Community Education, Inc., & Dade Schools Athletic Foundation, Inc., all require audits from external CPAs. We will review these audits and submit them to the Audit 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 Rule 6Gx13- 2C-1.14, Article IV.B. Implementation of prior audit recommendations will continue to be monitored and reported to the Audit Committee.

Investigations/Forensic Audits

Perform Forensic Audits In The Following Areas:

- Misappropriation of Funds
- Missing Inventory/Equipment
- Payroll Fraud and Other Fraudulent Activity
- Charter School Misfeasance/Malfeasance

Oversee Investigations Conducted By:

- Civilian Investigative Units – CIU

Support and Collaborate With:

- Miami-Dade Schools Police
- Office of Professional Standards – OPS
- State Attorney's Office
- Inspector General – IG
- District Offices

Property Audits

Property Inventories

- Perform physical inventory counts of all property with a cost of \$1,000 at approximately **400 work locations. Results of school property audits reported as part of school audits.**
- During FY 2009-10, our Property Auditors accounted for approximately **84,000 items with an approximate cost of \$325 million.**

Audit of Year-End Inventories

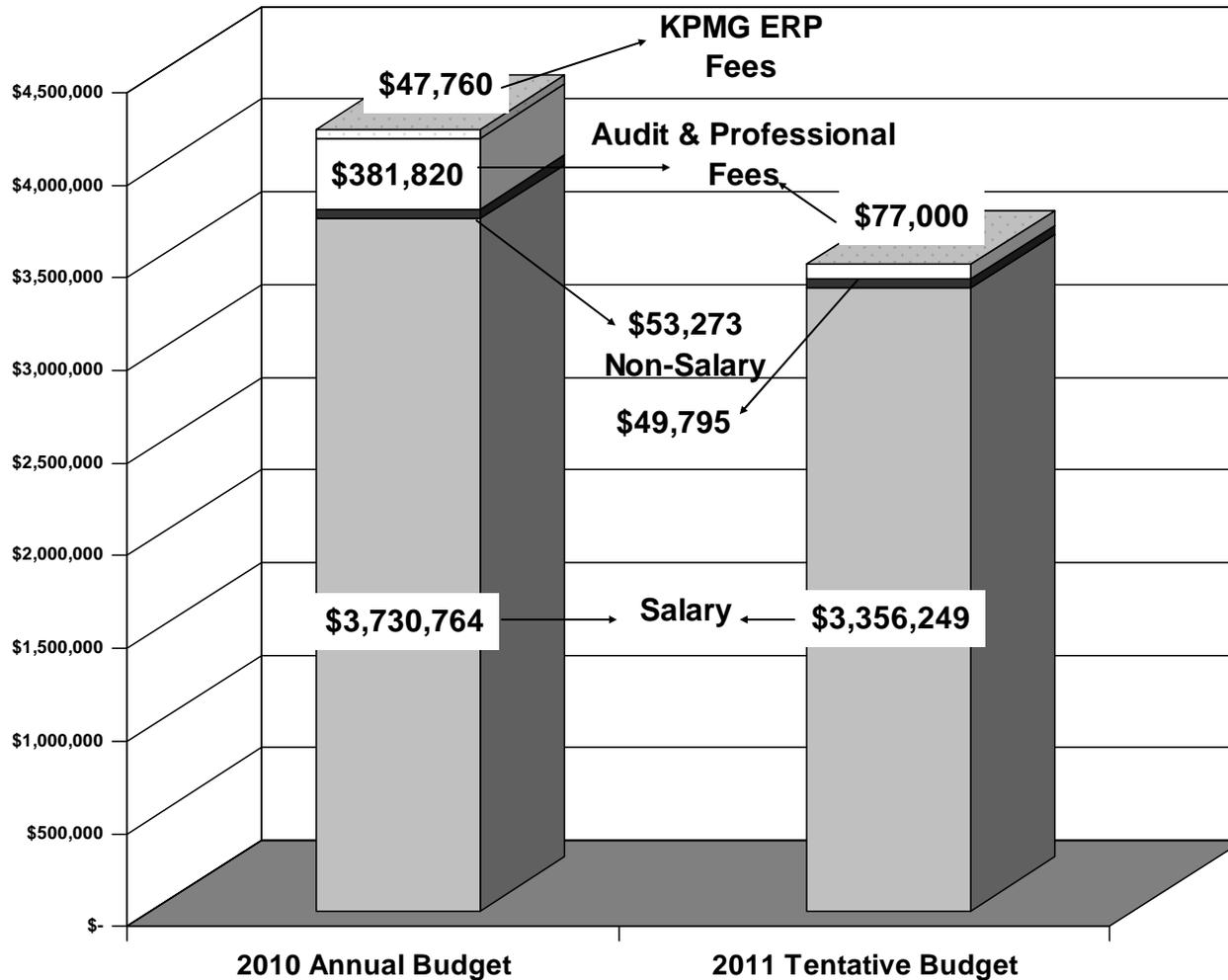
In support of the District's financial statements audit, year-end physical inventories are observed and inventory controls are tested at:

- **Food and Nutrition,**
- **Transportation,**
- **Maintenance and Materials Management,**
- **Stores and Mail Distribution,**
- **Textbook Inventory Services**

Internal Audit And Civilian Investigative Unit Staffing

Resource Allocation	2010	2011	Δ	Comments
Chief Auditor & Administrative Support Staff	4	4	No Change	
School Audits Division	14	15	+7%	One person was transferred from another department to fill open position vacated in FY 2009.
Non-School - Operational & Performance Audits Division	8	5	-38%	Charter Schools and CBO monitoring were reassigned, along with one auditor, to the Audit Investigative Division; one auditor resigned and one audit position was eliminated as part of the District's reduction in force.
Information Technology Division	2	2	No Change	
Property Audits Division	6	5	-17%	Supervisor reassigned to Non-School Audits.
Audit Investigative Division	2	3	+50%	Charter Schools and CBO monitoring were reassigned, along with one auditor, from Non-School Audits.
Civilian Investigative Unit	4	3	-25%	One investigative position was eliminated as part of the District's reduction in force.
Totals	40	37	3	

Comparative Budget for Internal Auditing and Civil Investigative Unit Activities



➤ The substantial reduction in the budgeted amount for audit fees resulted from the Florida Auditor General performing the District's financial statements, operational and federal awards (Single Audit) audits in FY 2011, at no cost to the District.

➤ In FY 2011, the budget for the KPMG ERP project is in the ERP department, and transfers of funds are made to OMCA when payments are due.

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.

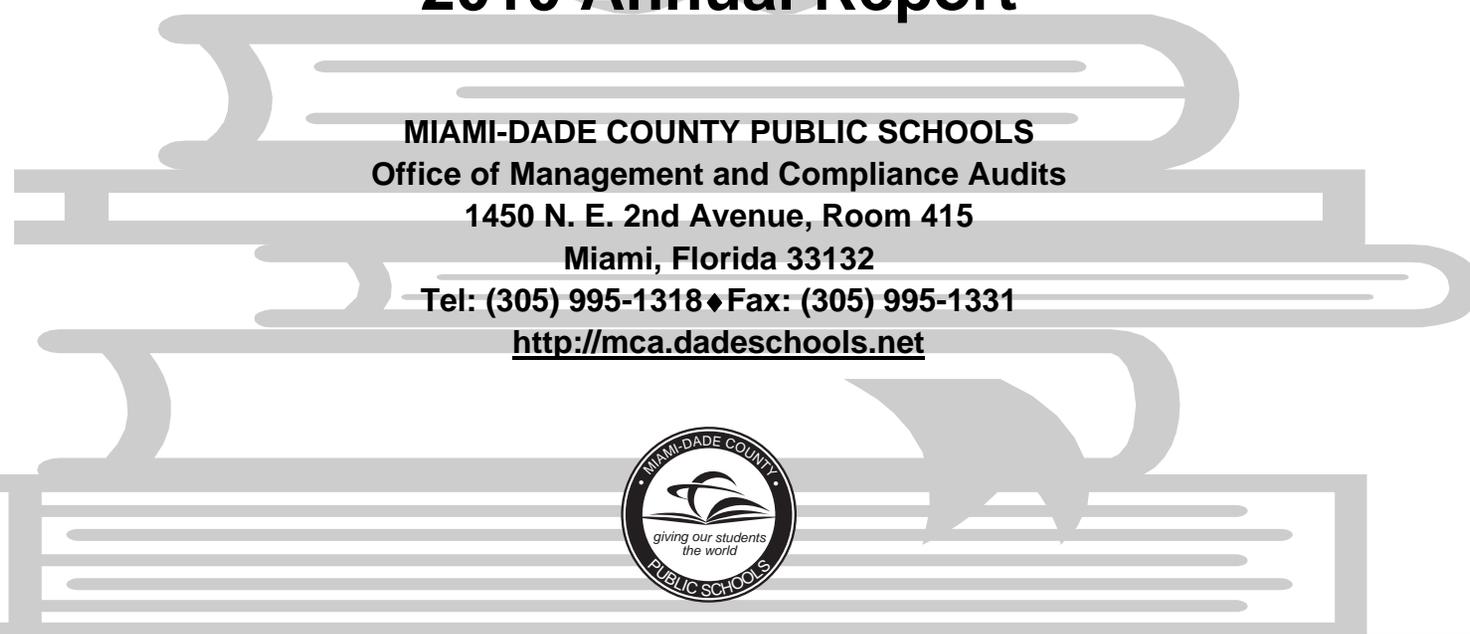
School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background,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

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2010 Annual Report



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