

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 20, 2016**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, September 20, 2016, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Roland Sanchez-Medina, Jr., Esq., Chair
Dr. Lawrence S. Feldman, School Board Member
Mr. Juan del Busto
Mr. Jeffrey Codallo
Ms. Susan Marie Kairalla
Mr. Albert Lopez, CPA
Mr. Christopher Norwood, J.D.
Mr. Rudy Rodriguez, CPA
Mr. Isaac Salver, CPA
Mr. Erick Wendelken, CPA

Members Absent:

Mr. Alvin L. Gainey, Jr., PTSA/PTA President
Mr. Rayfield McGhee, Jr., Esq., Vice Chair

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer (Absent)

Call to Order

The ABAC's Chair, Mr. Roland Sanchez-Medina, called the meeting to order at 12:50 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

The Chair requested all in attendance to introduce themselves, which they did. The following persons were present:

| | |
|--|--|
| Ms. Perla Tabares Hantman, School Board Chair | Ms. Joyce M. Castro, Assistant Superintendent |
| Mr. Alberto M. Carvalho, Superintendent | Mr. Steffond Cone, Assistant Superintendent |
| Mr. Walter J. Harvey, School Board Attorney | Ms. Patricia M. Fernandez, Assistant Superintendent |
| Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer | Ms. Tiffanie Pauline, Assistant Superintendent |
| Mr. Jose L. Dotres, Chief Human Capital Officer | Ms. Connie Pou, Controller |
| Ms. Maria L. Izquierdo, Chief Academic Officer | Mr. Leonardo Fernandez, Treasurer |
| Ms. Lisa Martinez, Chief Strategy Officer | Ms. Maria T. Gonzalez, Assistant Chief Auditor |
| Ms. Daisy Gonzalez-Diego, Chief Communications Officer | Mr. Trevor L. Williams, Assistant Chief Auditor |
| Ms. Deborah Karcher, Chief Information Officer | Ms. Daisy Naya, Assistant Controller |
| Mr. José F. Montes de Oca, Chief Auditor | Ms. Tabitha G. Fazzino, District Compliance Officer |
| Dr. Magaly C. Abrahante, Assistant Superintendent | Ms. Mindy McNichols, Assistant School Board Attorney |

Minutes of the School Board Audit and Budget Advisory Committee

September 20, 2016

Page 2 of 9

Mr. Orlando Alonso, Administrative Director
Ms. Jennifer Andreu, Administrative Director
Ms. Charlene Burks, Administrative Director
Ms. Sasha Lopez, District Director
Mr. Luis Baluja, Executive Director
Ms. Dana Vignale, Executive Director
Ms. Michelle Denis, Fiscal Supervisor
Ms. Elvira Sanchez, Audit Coordinator
Mr. Jerold Blumstein, Chief of Staff
Ms. Jackeline Fals, Chief of Staff
Ms. Ana Lara, Administrative Assistant
Ms. Suzanne Matthews, Administrative Assistant
Ms. Carmen Naumann, Administrative Assistant
Ms. Gina Rimart, Administrative Assistant

Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Latisha Green, Administrative Assistant
Ms. Lawandra Houston, District Administrative Assistant
Mr. Felix Jimenez, Assistant Inspector General
Ms. Laudelina McDonald, OIG, Legal Counsel
Mr. Thomas Knigge, OIG, Supervisor Special Agent
Mr. Donovan Maginley, Partner, RSM US LLP
Ms. Tamara Moodie, Principal, So. FL Aut. Charter School
Ms. Susan Leon, Director, So. FL Aut. Charter School
Mr. Dan Ricker, Watchdog Report
Ms. Kyra Gurney, Miami Herald Reporter
Mr. Mark Gote, Visitor
Ms. Lauren Kairalla, Visitor

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee (ABAC or Committee) Meeting of July 19, 2016

The Chair drew the members' attention to the minutes for the ABAC meeting of July 19, 2016, and asked whether any members had suggested revisions or questions related to the contents of the proposed minutes.

There being no questions or comments, Dr. Feldman moved and Mr. Salver seconded the approval of the minutes to serve as the memorialization of the July 19, 2016, ABAC meeting. The motion carried unanimously.

3. Miami-Dade County Public Schools – Annual (un-audited) Financial Report Fiscal Year End June 30, 2016

Mr. Montes de Oca introduced the above-referenced report and noted that it was approved by the School Board at its September 7, 2016 meeting. Ms. Connie Pou, Controller, satisfactorily addressed some questions posed by ABAC members.

This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

4. Inspector General Final Report of Investigation – High School Baseball Recruiting Violations, Ref: SB-12-13-1005

Mr. Montes de Oca introduced the above-referenced report, noting that it was previously submitted to the School Board; however, he explained that pursuant to School Board policy the report must be presented to the ABAC for its consideration.

Some Committee members inquired about the final outcome, and repercussions to the District, in terms of possible fines by the Florida High School Athletic Association (FHSAA) and timeline for completing the review. Mr. Tom Knigge from the Inspector General stated that the findings were reported to the FHSAA and it was up to that entity to determine the final outcome and disposition of any penalties, as well as how long it would take for the review to be completed.

This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

5. Miami-Dade County District School Board Florida Education Finance Program Full-Time Equivalent Student Enrollment and Student Transportation for the FYE June 30, 2015 – Report No. 2017-011

Mr. Montes de Oca presented the above-referenced report and explained that the external audit performed by the State of Florida's Auditor General (AG) takes place approximately every three years and based on the most current audit results the trend, as far as FTE funding disallowances are concerned, continues to improve. He observed that over half of the disallowances involved charter schools, and as shown in the report, funding disallowances from traditional schools continue to decrease.

There being no questions, or comments, a motion was made by Mr. Salver, seconded by Mr. Lopez, which carried unanimously, to recommend that the **Miami-Dade County District School Board Florida Education Finance Program Full-Time Equivalent Student Enrollment and Student Transportation for FYE June 30, 2015 – Report No. 2017-011** be received and filed by the School Board.

AUDIT REPORTS:

6. Office of Management and Compliance Audits 2016 Annual Report and 2017 Annual Audit Plan and Budget

The Chief Auditor introduced the Office of Management and Compliance Audits' Annual Report for the 2015-2016 fiscal year and the Audit Plan for the 2016-2017 fiscal year. By way of introduction, he explained that the Plan had been initially presented to the Committee in July 2016 as a proposal for the ABAC members to review, and provide feedback as well as any recommendations/changes for improvement to the Plan. The Annual Report, he noted, was a summary of the work and activities of the OMCA that had transpired during the 2015-2016 fiscal year.

Mr. Salver passionately expressed his concerns regarding the audit of The Children's Trust (The Trust) included in the long-range part of the Plan. He pointed out that he was The Trust's treasurer and has been associated with The Trust since 2006. According to him, there should be no place in this Plan for an audit of an organization that has nothing to do with the School Board and over which the School Board has no audit jurisdiction. He also stated that any interests or concerns over financial or programmatically-related issues could be resolved by placing a Public Records Request to obtain the desired documentation or information. He recommended that the long-range audit of The Trust, which is noted in pages 63 and 64 of the Annual Plan, be removed from the Plan.

Ms. Tabares Hantman addressed Mr. Salver's concerns by stating that he may not have been present at the [previous] meeting when conversations to include this audit in the Plan took place; however, she wanted to reassure him that there was nothing derogatory or critical in nature regarding inclusion of this long-range audit in the Plan. She explained that the intention was to address programs involving The Children's Trust and Miami-Dade County Public Schools. Ms. Tabares Hantman was very complimentary of The Children's Trust and concluded her commentary by stating that she would defer further observations on this matter to the Superintendent or the Chief Auditor.

The Chief Auditor explained that this audit had been requested by the Superintendent and the request had been extensively vetted by both School Board and ABAC members during previous meetings. Consequently, he decided to place it in the long-range portion of the Plan, in the event that OMCA was able to accomplish all other audits which involved School Board departments. Mr. Montes de Oca further observed that back in July 2016, when the proposed Plan was first introduced to ABAC members, he had announced at the meeting that he would take suggestions from the stakeholders during the summer regarding any modifications to the Plan. However, he received no suggestions or feedback during the summer. The end result was this Plan that he felt ABAC members would feel comfortable and confident recommending to the School Board to accept and for the Board to approve. Nevertheless, he was willing to consider any advice proffered by the ABAC members and other stakeholders regarding the contents of the Plan.

Regarding the focus of this long-range audit, Dr. Feldman expressed his appreciation for the stakeholders' discerning interest in making sure that the children's educational opportunities were fully served, and priorities were being followed. He added that he understood the need to ensure that all outside agencies which serve our children receive the same level of scrutiny. However, having expressed his views in a positive way, he still expressed several concerns regarding this proposed audit and its focus. One of his concerns related to a number of comments made by School Board and staff members during a previous meeting, where it was perceived that OMCA staff did not have the necessary educational expertise to take on this type of audit assignment, which he viewed as an assessment of programmatic impact/results of programs where children participated, and whether those programs were doing the job.

Another concern expressed by Dr. Feldman was that if an audit of The Trust was needed, he felt confident that there was a School Board member sitting in The Trust's Board, who had the right to request an audit of The Trust *at their cost*. In addition, he stated that The Trust has a new CEO (Mr. Haaj, who is a former administrator of the school system) who had requested additional time before responding to the School Board's concerns to be able to

attain better understanding of the scope/impact of The Trust's programs. Furthermore, Dr. Feldman went over sections of the School Board Attorney's letter dated in March 15, 2016, where the Attorney opined that the School Board did not have statutory or legal authority to perform a financial or performance audit of The Trust, which is a separate government entity. Dr. Feldman emphasized that he relies on the School Board Attorney's advice.

Mr. Norwood stated that he would have no problem with such an audit, since The Children's Trust partners with the school district, and there are partnership agreements with The Trust whereby many programs are run on real estate owned by the School Board. According to him, the District is providing space for these programs; therefore, that would be the conduit for the audit.

Mr. Del Busto inquired about the monetary impact associated with these programs. The Chief Auditor clarified that there was no monetary impact; only use of School Board space by these entities to house and provide these programs.

Mr. Salver further clarified that The Trust provides funding to contractors to provide these programs.

Mr. Norwood compared this provider's relationship to a vendor's relationship. ABAC member, Mr. Rodriguez, explained that the intended long-range audit would be more of an operational audit nature.

Ms. Kairalla expressed her concerns regarding this proposed audit and was not sure that she could support such an audit.

Lastly, Mr. Lopez was concerned as to whether the school district had the legal right to perform such audit, if there was not a direct relationship.

Mr. Harvey explained that at the time that the legal opinion was disseminated back in March 2016, the potential scope of The Trust's audit was much broader than what was been presented. At that time, what was contemplated was an overall evaluation of educational outcomes and finances, etc. Now, in light of the opinion, the Chief Auditor was trying to narrow the scope to include those areas that could be reviewed and according to him, the Chief Auditor could call it a review, an audit or an operational audit, as long as it was limited in accordance with the opinion. He further stated that, with a direct relationship, it is very easy to audit because of legal and statutory rights to do so. If there was an indirect relationship that went beyond what is in the public record, some additional agreements might be required, because legal and statutory right would be lacking.

Dr. Feldman stated that if this audit plan was rephrased and made very specific in nature and not as general as he saw it expressed, perhaps he would be more apt to accept it in accordance with what the School Board Attorney stated.

Superintendent Carvalho expressed his views as to the reasons why this audit would be beneficial. He stated that it was not intended to focus on the finances or management of The Trust, *but on the metrics for success of program deliverables*. According to him, the objective and focus of this audit should be to obtain a clear understanding about key indicators of the

performance of those programs. This would result in better scrutiny of agencies funded by The Trust, which provide services to students and the promise of academic improvement. Ultimately, he stated, the Chief Auditor's office would be the best place for reviewing these programs because that office is vested with protecting the integrity of the district finances and programmatic deliverables to the school system.

Dr. Feldman stated that now that the Superintendent provided this explanation, he had acquired a better understanding of what the scope of this audit should be. It should be more in line with the scrutiny of the relationship and evaluation of success of those entities that deliver programs.

Ms. Kairalla made a motion to remove pages 63 and 64 of the Plan because in her estimation, in light of all the discussion, there were too many questions to approve it as it was stated, and requested that the Chief Auditor present additional information to the ABAC in five months' time.

Dr. Feldman offered a friendly amendment that the audit be specific only to academic outcomes delivered by agencies contracted by The Children's Trust that deliver programs in Miami-Dade County Public Schools.

The Superintendent agreed with Dr. Feldman's friendly amendment and encouraged the Committee to vote and approve the motion as modified. After some deliberation regarding the exact wording of Dr. Feldman's amendment, the Superintendent rephrased it by stating *that instead of leaving pages 63 and 64 of the Plan as they were, that they would be replaced with language stating "a long-term audit specific only to academic outcomes delivered by agencies contracted by The Children's Trust that deliver programs in Miami-Dade County Public Schools."*

The motion with the friendly amendment, as restated by the Superintendent, was unanimously approved by the ABAC.

There being no further questions, a motion was made by Ms. Kairalla, seconded by Mr. Salver, which carried unanimously, to recommend that the **Office of Management and Compliance Audits 2016 Annual Report and 2017 Annual Plan**, as amended, be received and filed by the School Board.

7. Internal Audit Report – Selected Schools

The Chief Auditor introduced the above-referenced report and indicated that the report contained the audit results of 40 schools/centers without audit exceptions.

There being no questions, a motion was made by Dr. Feldman, seconded by Ms. Kairalla, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers** be received and filed by the School Board.

8. Internal Audit Report – Audit of Security Controls – Certain District-issued Mobile Devices

The Chief Auditor introduced the above-referenced report which included the results of an audit of security controls of certain district-issued mobile devices.

Mr. Lopez expressed concerns over cyber security and suggested that OMCA conduct an audit. The Chief Auditor explained that the external auditor from RSM had previously presented a robust audit plan addressing the issue of cyber security. Mr. Maginley briefly went over the assessment planned to be undertaken by the external auditors during their annual audit.

The Chief Auditor stated that this internal audit report was the first of a two-phase audit involving the review of security controls and personally-owned devices.

Mr. Carvalho explained that M-DCPS systems have been successful in blocking cyber attacks. He stated that no one is safe from cyber intrusions, but his staff is working diligently in monitoring and protecting the systems.

Ms. Kairalla gave accolades to Ms. Deborah Karcher, Chief Information Officer, on a job well done heading the IT Department.

There being no further questions, a motion was made by Mr. Codallo, seconded by Mr. del Busto, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Security Controls – Certain District-Issued Mobile Devices** be received and filed by the School Board.

9. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca introduced the above-noted report and stated that it details what has transpired from the last ABAC meeting to date and welcomed any questions.

There were no questions. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

New Business:

Dr. Feldman recommended a follow-up for staff to come up with language that any organization which provides educational services to students have an expectation of outcomes to be able to take advantage of our assets.

Old Business:

a) Outstanding Audit Issue Regarding \$500,000 Undisclosed Payment by Keys Gate Charter High School

The Chief Auditor introduced the matter of the \$500,000 undisclosed payment by Keys Gate Charter High School that had been referred to the Miami-Dade County Ethics Commission and noted that, over the weekend, a member of his staff discovered that a report had been issued by the Ethics Commission; however, it had not been sent to his office. According to the report, the Commission stated that two payments amounting to \$500,000 were illegal. The report also noted that the statute of limitations has expired in connection with the entities and individuals involved in the payments (Mr. Rosen and Charter Schools USA); therefore, no action could be taken. Mr. Montes de Oca also noted that there may be some corollary actions that may result and those will be shared with the ABAC at a later date, once reviewed by the Commission and the School Board Attorney.

Mr. Norwood expressed dissatisfaction with the outcome and asked if the funds were used for educational services.

The Chief Auditor gave a brief chronology of events and noted that there were no educational services involved, and restated that there are still some pending issues as to responsibility/culpability.

Mr. Norwood questioned why the school is not issued a 90-day notice of termination for violation of the law, which according to him, is authorized by statute for financial management inaccuracies.

Rather than providing a response, the Superintendent requested a postponement on this conversation until he has an opportunity to have a more in-depth conversation with the School Board Attorney and seek his advice.

Mr. Norwood agreed with the Superintendent's request.

Mr. Wendelken asked about immunity regarding the individual involved (Mr. Rosen), and the statute of limitations.

Mr. Harvey responded that Mr. Rosen was given immunity and briefly explained the scenario. He acknowledged that there was a violation, and although the statute of limitations had expired, it nevertheless gave the School Board impetus to review other corollary issues. He expressed that this is a fairly complicated matter since the \$500,000 payment was from Red Apple, Inc. to Mr. Wayne Rosen. This entity is the developer who built the facility and then leased it back to the charter school.

b) Charter School Out of County Fund Transfers

The Chief Auditor provided an update related to the five charter schools that had advanced FEFP funds to affiliated charter schools operating outside Miami-Dade County. He pointed out the payments and outstanding balances that were made. In his update, he also noted that some of these charter schools had issued advances/loans or transfers to charter schools across county lines that were interest bearing and with specified terms. According to the Chief Auditor, some of these entities have entered into new contracts or renewed contracts and some of these issues have been addressed. However, others have taken the position that out of county advances/loans to an affiliated charter school are acceptable if they are non-gratuitous, have a defined interest rate, and have specific repayment plans. The School Board Attorney's Office is reviewing whether these transactions are permitted under any applicable laws and statutes.

Mr. Norwood and other Committee members expressed serious concern and wanted to know if these charter schools could in fact be terminated for these actions. Mr. Harvey explained that these matters are complex and not clearly stated in the statutes and that is the reason for seeking an outside opinion. According to Mr. Harvey, the schools needed to be first put on notice of the potential breach. Going forward, after such notices have been given to the schools, this matter of the transfers can be noted in their contracts. Consequently, any similar transfer of funds will be considered a violation of the contract and can then result in grounds for termination. Mr. Norwood insisted on a 90-day termination notice for two of the schools (Bridgeprep Schools and Keys Gate). In addition, Mr. Lopez expressed his dissatisfaction with these two schools. According to the School Board Attorney, the matter of these two schools involves loans from State funds and guidance from the State is being sought to ensure that correct measures will be taken.

There being no further discussion, these reports were presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Sanchez-Medina at 2:25 p.m.

/MTG:em