



Internal Audit Report



Homestead Educational Facilities Benefit District, Inc., (HEFBD, Inc.) Expenditures



There were no instances of impropriety noted for payment requests examined, but only \$4,363,577 of the \$4,915,273 in payment requests for expenses incurred by the HEFBD, Inc., were adequately substantiated.

January 2008

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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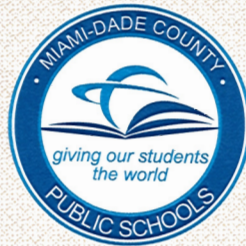
Mr. Allen M. Vann, CPA
Chief Auditor
Office of Management and Compliance Audits

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Mr. Trevor L. Williams, CPA

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Mr. Trevor L. Williams, CPA





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January 23, 2008

Mr. Jaime Torrens, Chief Facilities Officer
The Office of School Facilities

Mr. Torrens:

At your request, we performed an audit of the Homestead Educational Facilities Benefit District, Inc., (HEFBD, Inc.) expenditures. The objectives of the audit were to determine the propriety of the HEFBD, Inc., expenses as they relate to the HEFBD, Inc., and the Homestead Educational Facilities Benefit District (HEFBD) commitments to MDCPS. Our audit concludes that of \$4,915,273 in payment requests examined, we were able to substantiate \$4,363,577 in expenses incurred by the HEFBD, Inc.

Our recommendations were discussed with staff. As always, we would like to thank staff for the cooperation and courtesies extended to our staff during this audit.

Sincerely,

Allen M. Vann, CPA
Chief Auditor

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

Office of Management and Compliance Audits

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TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY	1
BACKGROUND	2
OBJECTIVES, SCOPE AND METHODOLOGY	4
RESULTS OF PAYMENT REQUESTS EXAMINED	5
APPENDIX I – Management’s Response	9

EXECUTIVE SUMMARY

This audit was initiated at the request of the Chief Facilities Officer of Miami-Dade County Public Schools. Based on the review of the expenditures and evidence obtained and examined our audit concluded that of the \$4,915,273 in payment requests examined, we were able to substantiate \$4,363,577 in expenses incurred by the HEFBD, Inc. We did not find any instances of impropriety as it relates to the payment of the requests examined. However, there are other matters that need to be addressed and are discussed in the background and the recommendation to follow.

The background and recommendation start on page 2 of this report and provide additional information that is integral to understanding the substance and context of the conditions noted above. Based on our audit, we have made one recommendation.



BACKGROUND

In June 2004, the Miami-Dade County Public School Board agreed to enter into an Interlocal Agreement with the City of Homestead and Miami-Dade County. The purpose of this agreement was to establish the Homestead Educational Facilities Benefit District (HEFBD) to have a governing body oversee the financing and constructing of three K-8 facilities on land donated by developers in the Homestead area. The first school was to be financed and built as a turnkey facility by the HEFBD with the School Board paying for the cost of designing and building the facility. The school was to be built in the area of SW 328 Street between SW 157 and SW 162 Avenue on a 16-acre site, part of a larger +/- 35-acre track.



Upon the establishment of the HEFBD, the HEFBD Board was elected in May of 2005 and comprised representatives from the School Board, Miami-Dade County, the City of Homestead and developers from the Homestead area. Subsequently, the Homestead Educational Facilities Benefit District, Inc., a not-for-profit corporation, was created and in January 2006, a loan in the amount of \$1.2 million was obtained from Community Bank of Florida. Funds from the loan were deposited in a

checking account in the same bank, and several onward expenses, incurred by the HEFBD and the HEFBD, Inc., were paid out of this account. These expenses paid by the HEFBD, Inc. and others expenses still pending payment comprise the expenses examined in this audit.

The HEFBD Board established a deadline to complete the first school by 2006; however, due to difficulty obtaining environmental permits the deadline was extended to 2008. In order to meet this new 2008 deadline, the HEFBD motioned in October 2006, "to turn over the west site [part of the +/- 35-acre track] to the School Board for purposes of the School Board constructing a school." The School Board agreed to amend the turnkey agreement and to accept to finance, design and build the first K-8 facility. Subsequently, the HEFBD agreed to provide a phased-in ready-to-build site by January 2007 (later extended to February 2007). As per documentation from the HEFBD Board meeting minutes, Phase I of site preparation was completed and ready to be turned over to MDCPS by January 30, 2007. As per documentation from School District staff, this phased delivery "became problematic due to lack of overall remediation plan, lack of a signed contract with bondable contractor to assure completion, undefined cost exposure for clean-up, and uncertainty that site remediation results would be favorable and allow a school to be built."

In December 2005, an environmental site assessment from engineers hired by the HEFBD identified buried construction and demolition debris on the site where the school

was to be built. In addition, soil and groundwater analysis indicated arsenic, iron, ammonia and toluene levels exceeding the Soil and Groundwater Cleanup Target Levels set forth in Section 24-11.1(2) code of Miami-Dade County. Section 1013.365 of the Florida Statutes states:

“Any evidence of a discharge of pollutants or hazardous substances on or adjacent to a proposed K-12 school site shall prompt the district school board to conduct further investigation using at least a Phase II Environmental Audit, in accordance with standards established by the American Society for Testing and Materials (ASTM), that includes air, water, and soil sampling. If the results of the environmental audit confirm the presence of contaminants or pollution on or adjacent to the proposed K-12 school site at concentrations that pose a threat to human health or the environment, then the district school board shall conduct appropriate site rehabilitation in accordance with the provisions of subsection (5) before initiating K-12 school construction at the site.”

An Engineering and Consulting Firm working with Miami Dade County Public Schools conducted an Environmental Site Assessment Report to assess current environmental site conditions. The firm indicated that debris was still identified on portions of the site and groundwater sampling conducted in July 2007 identified arsenic concentration above cleanup target levels in four of the ten monitoring wells tested. The site will be remediated in accordance with an approved remediation plan as part of the planned school construction project. The District’s contracted environmental consultants are overseeing the remediation process.



In August 2007, the School Board authorized the Superintendent to “negotiate and execute an agreement with all the appropriate parties for the ‘as is’ donation to the School Board of the +/- 35-acre track.” Included in the negotiation, is a reimbursement to the HEFBD not to exceed \$4.165 million and an advance to the HEFBD of \$1.2 million to be paid back to MDCPS from assessments starting in 2009. MDCPS has scheduled to construct and open the school facility for the 2009 school year.

OBJECTIVES, SCOPE AND METHODOLOGY

At the request of the Chief Facilities Officer of Miami-Dade County Public Schools, we performed an audit of the Homestead Educational Facilities Benefit District, Inc., (HEFBD, Inc.) expenditures. Our audit objective was to determine the propriety of the HEFBD, Inc., expenses as they relate to the HEFBD and HEFBD, Inc., commitments to M-DCPS. The process of negotiations and closing on the subject property was not included or reviewed during this audit. This matter was entirely managed and determined by District staff.

Our audit concentrated on payment requests provided by senior staff which covered the period of June 2004 through October 2007. The procedures performed to satisfy the audit objective were as follow:

- Familiarized ourselves with Interlocal Agreements, resolutions and applicable state statutes.
- Interviewed MDCPS, HEFBD and HEFBD, Inc., staff.
- Interview staff from firms engaged by the HEFBD and HEFBD, Inc.
- Reviewed HEFBD, Inc., general ledgers, bank statements and cancelled checks.
- Examined HEFBD, Inc., expenses and documentation to support these expenses.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF PAYMENT REQUESTS EXAMINED

We examined payment requests amounting to \$4,915,273 in expenses relating to the Homestead Educational Facilities Benefit District (HEFBD). Of these requests, we reviewed a total of \$882,991 for paid invoices and \$4,032,282 for unpaid invoices/payment requests by the Homestead Educational Facilities Benefit District, Inc., (a not-for-profit corporation). We did not find any instances of impropriety as it relates to the payment of the requests examined. We were able to substantiate \$4,363,577 of the total invoices/payment requests examined. The difference of \$551,696 in questionable costs is explained in the notes to the table on page 6. Also, invoices have been divided into two categories: (1) reimbursement and (2) advance; to indicate management's decision regarding which invoices will be reimbursed and which invoices will be included as part of an advance.



Pursuant to an agreement between the School Board and the HEFBD, the sum of all amounts to be advanced will be held in escrow with the School Board's escrow agent.



The HEFBD has agreed to impose an assessment on property owners. The amount collected from the assessment will be used to reimburse the School Board the sum advanced to the HEFBD. No amount will be advanced to the HEFBD until the assessment is in place.

SUMMARY SCHEDULE OF HEFBD, INC., EXPENDITURES

Note: Table presented in two categories: (1) reimbursement (in blue color) and (2) advance (in yellow color) to reflect management's decision regarding which invoices will be reimbursed and which will be included in the advance. Also, see explanatory notes at pages 7 and 8.

Name	Code	Cost	Questioned Cost	Documented and/or reasonable costs	Notes
Cubellis SGR	r/p	\$ 15,783.45	\$ -	\$ 15,783.45	b
Downrite Engineering Corporation	r/p	1,440.00	1,440.00	-	d
Florida Department of State	r/p	122.50	-	122.50	
Ford Armenteros & Manucy, Inc.	r/p	18,020.78	-	18,020.78	e
Ford Engineers, Inc.	r/p	7,883.75	-	7,883.75	e
Florida Power & Light (FPL)	r/p	31,000.00	-	31,000.00	
NELCO Testing and Engineering Services, Inc.	r/p	6,580.00	-	6,580.00	e
Nutting Engineers of Florida, Inc.	r/p	58,385.00	-	58,385.00	
RS Environmental Consulting, Inc.	r/p	1,687.50	-	1,687.50	
Synalovski Gutierrez Romanik Architects, Inc.	r/p	252,278.55	-	252,278.55	b
TPM Solutions Group, Inc.	r/p	175,000.00	71,000.00	104,000.00	f
Calvin, Giordano & Associates, Inc.	r/u	64,691.16	-	64,691.16	
Cubellis SGR	r/u	232,391.82	185,410.74	46,981.08	a/b/c
Downrite Engineering Corporation	r/u	3,076,088.84	174,964.68	2,901,124.16	g/h
Ford Armenteros & Manucy, Inc.	r/u	23,101.25	120.00	22,981.25	e/i
NELCO Testing and Engineering Services, Inc.	r/u	80,241.00	240.00	80,001.00	e/j
RS Environmental Consulting, Inc.	r/u	3,458.00	-	3,458.00	
TPM Solutions Group, Inc.	r/u	50,000.00	50,000.00	-	f
Subtotal		\$ 4,098,153.60	\$ 483,175.42	\$ 3,614,978.18	
Akerman Senterfitt	a/p	78,822.71	-	78,822.71	
American Express	a/p	970.41	-	970.41	
Billing, Cochran, Heath, Lyles, Mauro & Anderson, P.A.	a/p	72,585.77	3,281.10	69,304.67	k
CFD, LLC	a/p	16,000.00	-	16,000.00	i
City of Homestead	a/p	9,242.07	-	9,242.07	
Creative Land Services	a/p	2,880.00	-	2,880.00	
Holland & Knight, LLP	a/p	26,624.73	-	26,624.73	
Impact DeSIGNS	a/p	1,102.10	-	1,102.10	
Lashbrook & Wollard & Fasano, P.A.	a/p	625.00	-	625.00	
Project Finance & Development, Inc.	a/p	103,561.50	-	103,561.50	m
The Miami Herald	a/p	1,306.00	-	1,306.00	
USI/SGP of Florida, Inc.	a/p	1,088.87	-	1,088.87	
Billing, Cochran, Heath, Lyles, Mauro & Anderson, P.A.	a/u	30,387.29	3,555.90	26,831.39	n
Downrite Engineering Corporation	a/u	242,220.16	54,776.33	187,443.83	g
Global Technology Partners	a/u	365.00	-	365.00	
Greenberg Traurig, P.A.	a/u	124,705.00	-	124,705.00	
Holland & Knight, LLP	a/u	1,413.05	-	1,413.05	
Lashbrook & Wollard & Fasano, P.A.	a/u	725.00	-	725.00	
Project Finance & Development, Inc.	a/u	67,495.00	-	67,495.00	m
Sonn & Mittleman, P.A.	a/u	35,000.00	6,907.67	28,092.33	o
Subtotal		\$ 817,119.66	\$ 68,521.00	\$ 748,598.66	
Interest on Community Bank Loan		104,853.69	-	104,853.69	
Loan Closing Cost		32,589.50	-	32,589.50	
Total		\$ 5,052,716.45	\$ 551,696.42	\$ 4,501,020.03	

a = advance; r = reimbursement; p = paid; u = unpaid

NOTES

- (a) An executed contract was presented for audit; however, the contract was only for pre-construction services and Design Criteria Professional services. Additional services for which the firm invoiced a total of \$230,226 were not included in the contract and some of which constitute questioned costs.
- (b) Firm was approved by the HEFBD Board to perform services.
- (c) Deliverables supporting additional earthwork related services were not presented for audit. These services constitute questioned costs.
- (d) Cost duplicated and included as part of a separate \$3.3 million request for payment.
- (e) Executed contract was not presented for audit. HEFBD board meeting minutes do not reflect approval of firm.
- (f) Executed contract presented for audit stipulates total fees should not exceed 2.5% of the lump sum paid by MDCPS to the HEFBD in relation to the project. Therefore, total paid to TPM Solutions should not exceed \$104,000.
- (g) Questioned cost arises from adjustment to Downrite Engineering Corporation's (Downrite) Application and Certificate of Payment of \$174,965 due to unsubstantiated fees and \$54,776 in interest invoiced at 18%, but adjusted to 11% as mandated by the Chief Financial Officer pursuant to Section 55.03 F.S.
- (h) Executed contract was not presented for audit. Draft copy of contract indicates that Downrite was engaged to work for the HEFBD, Inc. It is important to note that Mr. Steve Shiver, Board Member for the HEFBD disclosed that he worked for Downrite as a consultant. HEFBD Counsel indicated via memorandum that a conflict of interest does not exist because Downrite was not under contract with, or doing business with the HEFBD. However, the HEFBD, Inc., was the custodian of funds available to disburse to the firms working for the HEFBD, Inc., as well as the HEFBD.
- (i) Questioned cost arises from duplicated \$120 invoice submitted for payment.
- (j) Questioned cost arises from \$240 fee for a report on contaminated school sites in Miami-Dade. The report not applicable to HEFBD.
- (k) Questioned cost arises from overpayment of invoices of \$3,281.10.
- (l) Invoices presented for audit dated 12/27/05 and 1/29/06 indicate that CFD, LLC rendered Educational Consulting Services related to the HEFBD. In a letter dated October 17, 2007, the HEFBD, Inc., stated that the individual working for CFD, LLC was Mr. Shawn Hiester and that he was engaged to provide services related to the establishment of the Educational Facilities Benefit District. However, invoices submitted from TPM solutions, indicate that Mr. Hiester was also engaged by the

HEFBD to provide services under TPM Solutions. The HEFBD, Inc., stated that TPM Solutions was engaged after the last payment to CFD, LLC was made (January 2006) and that services do not overlap. An executed contract for both firms was presented for audit.

- (m) Project Finance & Development, Inc., was engaged by the HEFBD to “provide project development, structuring, and financial engineering services as well as overall management and coordination in connection with the formation of the District and development of the project.” Invoices submitted agree with the contract as far as detailing of the hourly rate. However, supporting hourly logs presented for audit do not indicate dates of completion. The HEFBD approved the contract with the firm in May 2005.
- (n) Questioned cost arises from erroneous posting of invoices to the HEFBD, Inc., general ledger. Total error amount to \$3,555.90.
- (o) Questioned cost arises from hours billed to the HEFBD, Inc., for matters pertaining to negotiations for a charter school.

Although MDCPS was not the original executor of this project, MDCPS was part of the Interlocal Agreement and had members on the HEFBD Board. For several of the invoices reviewed, either a contract was not presented for audit or the contract was not executed. In the future, if MDCPS embarks in a similar project, the District’s representatives should ensure that these practices are not repeated and that the agency adopts sound business practices that align with MDCPS’.


Subsequent to the conclusion of our fieldwork, District staff closed on the subject property for conveyance of title of the donated land on November 5, 2007. It is our understanding that as part of the negotiations and settlement, the final amount to be reimbursed or advanced was based on management’s decision and included amounts beyond those substantiated in this audit.

APPENDIX I – Management’s Response

MEMORANDUM

January 11, 2008

TO: Mr. Allen M. Vann, Chief Auditor
Office of Management and Compliance Audits

FROM: 
Jaime G. Torrens, Chief Facilities Officer
Office of School Facilities

**SUBJECT: ADMINISTRATIVE RESPONSE TO DRAFT INTERNAL AUDIT REPORT
– AUDIT OF HOMESTEAD EDUCATIONAL FACILITIES BENEFIT
DISTRICT, INC. (HEFBD, Inc.) EXPENDITURES**

Thank you for your prompt attention to my request for an audit of expenditures of the Homestead Educational Facilities Benefit District, Inc. This audit was instrumental in the District’s acquisition of property for construction of State School “TT1”, a K-8 Center that will relieve Campbell Drive Elementary School.

I would like to commend Mr. Trevor Williams and Ms. Nelly B. Fuentes-Lacayo for the thoroughness of their effort and attention to detail. As discussed with Mr. Williams, the suggestions made in the report will be very useful in future transactions with similar organizations.

JGT:sma
M145

cc: Dr. Rudolph F. Crew
Ms. Carolyn Spaht
Ms. Ana Rijo-Conde
Mr. Trevor Williams
Ms. Nelly B. Fuentes-Lacayo

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.

Revised 5/9/03

INTERNAL AUDIT REPORT
Homestead Educational Facilities Benefit
District, Inc. (HEFBD, Inc.) Expenditures
JANUARY 2008



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