

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
December 4, 2012**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, December 4, 2012, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Jeffrey B. Shapiro, Esq., Chair
Mr. Roland Sanchez-Medina, Jr., Esq., Vice Chair
Dr. Lawrence S. Feldman, School Board Member
Ms. Susan Marie Kairalla
Mr. Rayfield McGhee, Jr., Esq.
Mr. Isaac Salver, CPA
Mr. Frederick F. Thornburg, Esq.
Ms. Teri Weinstein (Trivizas)

Members Absent:

Mr. Mayowa Odusanya, Esq.
Mr. Jose I. Rasco, CPA

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO

Call to Order

The ABAC Chair Jeffrey Shapiro called the meeting to order at 12:36 p.m. and warmly welcomed everyone in attendance.

1. Welcome and Moment of Reflection

2. Introductions

Mr. Shapiro requested everyone in attendance to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Mr. Scott Clark, Risk/Benefits Officer
Ms. Susie V. Castillo, School Board Member	Mr. John Labonia, General Manager
Ms. Raquel Regalado, School Board Member	Dr. Marcos Moran, Assistant Superintendent
Mr. Alberto M. Carvalho, Superintendent of Schools	Dr. Pablo Ortiz, Assistant Superintendent
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Tiffanie Pauline, Assistant Superintendent
Mrs. Valtena G. Brown, Chief Operating Officer	Ms. Connie Pou, Controller
Ms. Judith Marte, Deputy Chief Financial Officer	Mr. Jaime G. Torrens, Chief Facilities Officer
Ms. Enid Weisman, Chief Human Capital Officer	Ms. Silvia Rojas, Treasurer
Mr. José F. Montes de Oca, Chief Auditor	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Gerald D. Kitchell, Acting Chief, M-DCPS Police	Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs
Mr. John Schuster, Chief Communications Officer	Mr. Trevor L. Williams, Asst. Chief, District Audits

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Ms. Mindy McNichols, Asst. SB Attorney
Ms. Deborah Karcher, Chief Information Officer
Dr. Alex Martinez, Region Superintendent
Dr. Albert Payne, Region Superintendent
Ms. Daisy Naya, Assistant Controller
Mr. Leonardo Fernandez, Assistant Treasurer
Ms. Cynthia Gracia, Administrative Director
Ms. Jerry Klein, Administrative Director
Ms. Marta Montaner, Administrative Director
Ms. Penny Parham, Administrative Director
Dr. Ana M. Rasco, Administrative Director
Mr. Jon Goodman, Executive Director
Mr. Ivo Gomez, Claims Compliance Officer
Mr. Eugene Baker, Director
Ms. Nicki Brisson, Director
Mr. Ray Delgado, Director
Mr. Chris Morgan, Director
Ms. Tamara Wain, Director
Mr. James O'Donnell, Chief Info Security Officer
Mr. Tom Knigge, OIG, Special Agent
Mr. Evelio Rodriguez, Major
Mr. Luis Baluja, Supervisor
Ms. Raquel Alexander, Administrative Assistant
Mr. Jerold Blumstein, Administrative Assistant

Ms. Jackie Fals, Administrative Assistant
Ms. Erzsebet Horvath, Administrative Assistant
Ms. Viviana Jordan, Administrative Assistant
Ms. Ana Lara, Administrative Assistant
Ms. Carmen Naumann, Administrative Assistant
Ms. Bertha Valcarcel, Administrative Assistant
Ms. Elsa Berrios-Montijo, Administrative Assistant
Ms. Lucila I. Gonzalez, Administrative Assistant
Ms. Susana Aguilera, Sr. Administrative Assistant
Mr. Manuel Alonso, Business Manager, A&M
Mr. Frank Attkisson, Consultant, A&M Charter School
Ms. Cynthia Borders-Byrd, CBorders-Byrd, CPA
Mr. Anthony Brunson, Sharpton, Brunson & Co.
Mr. Ronald Frazier, Chair, M/WBE Committee
Ms. Jodi Grossman, WLRN, Accountant
Mr. Donovan Maginley, Partner, McGladrey LLP
Mr. Anil Harris, Audit Manager, McGladrey LLP
Mr. Jorge Perez-Alvarez, CFO, Friends of WLRN
Ms. Nadine Stephens, Sharpton, Brunson & Co.
Mr. Dan Ricker, Publisher and Editor

There was a moment of reflection.

3. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of September 11, 2012

The Chair drew the members' attention to the minutes for the ABAC meeting of September 11, 2012, and asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes. Mr. Thornburg gave accolades to Mr. Montes de Oca and his staff on very well-written minutes.

A motion was duly made by Mr. Thornburg and seconded by Dr. Feldman to approve the minutes, to serve as the memorialization of the September 11, 2012, meeting of the Audit and Budget Advisory Committee (ABAC or Committee). The motion carried unanimously.

PRESENTATION:

4. Presentation Bond Issue for 21st Century Schools Preliminary Audit, Review and Monitoring Plan and School Board Agenda

The Chief Auditor made a presentation on the feasibility plan of the Office of Management and Compliance Audits (OMCA) and its involvement in monitoring the General Obligation Bond issue (GOB). The presentation consisted of the preliminary plan for auditing, reviewing, and monitoring the activities of the GOB issue. At the onset of the presentation, the Chief Auditor reiterated that the plan is preliminary and subject to change; and its execution

primarily contingent on the OMCA being provided sufficient resources by the District administration to conduct the work.

The Superintendent acknowledged his support to the Chief Auditor for the proposed plan and committed to providing the resources needed in order for OMCA to carry it out. Mr. Salver expressed concern regarding the make-up of the proposed General Obligation Bonds Oversight Committee membership (one alternate for each member appointed by the School Board), and proposed that alternates be similarly allowed for those members not appointed by the School Board. After some discussion on this topic, it was explained that the composition of the committee was well vetted and no other comments were made on this subject.

The Committee complimented the Chief Auditor for the comprehensive plan and Dr. Feldman recommended that the proposed plan be expanded to add to the deliverables a final analysis of procedures and policies that worked or did not work at the end of the project, so as to memorialize the work. Another recommendation included generating reports to the School Board on a monthly basis. Both recommendations were approved by the Committee.

The Chief Auditor welcomed the recommendations and asked that the plan be submitted to the School Board through the ABAC Committee, whenever practical and feasible.

In addition, Mr. Montes de Oca recognized Mr. Trevor Williams for his endeavors which were instrumental in preparing this report.

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

EXTERNAL AUDITS:

5. Presentation for 30 of 107 Charter Schools and Two Community Based Organizations Audited Financial Statements FYE June 30, 2012

Mr. Montes de Oca introduced the item and explained that OMCA annually receives and reviews the financial statements of every charter school operating in the County, which during fiscal year 2011-12 were 107. He further explained that certified financial statements for 30 of these schools, which were determined to be free of significant fiscal concerns, were being presented at this time. Mr. Montes de Oca stated that some of the remaining audited financial statements contain substantial issues, which require further review to be conducted before they are presented at future ABAC meetings. In addition, the required certified financial statements for two community based organizations which contain no findings and for which his office has no questions, are also being presented.

Dr. Feldman referred to the footnote on the cover letter for the charter schools, related to deficit net assets, which are no longer classified as meeting a financial emergency criterion for the charter schools, and asked what this means.

Mr. Montes de Oca answered that the notation was a legality incorporated into the Florida Statutes and applicable during this review period, which means that a charter school with a deficit in net assets can no longer be considered in financial emergency based solely in this criterion, as was the case before and he wanted to make it known to the readers.

There was no further discussion. A motion was made by Dr. Feldman, seconded by Mr. McGhee, which carried unanimously, to recommend that the Audited Financial Statements of 30 Charter Schools and Two Community Based Organizations for FYE June 30, 2012 be received and filed by the School Board.

6. Follow-Up – Academy of Arts & Minds (A&M) Charter High School

Mr. Montes de Oca provided an informational follow-up regarding current actions taken by the Academy of Arts & Minds Charter High School pursuant to the recommendations made in the audit report performed by OMCA, which was presented to the ABAC on June 26, 2012. He continued to voice concerns about matters related to the lease, the school's food service program, unresolved ad valorem tax issues and governance of the charter school. In addition, reference was made to the September 2012 Governing Board of A&M meeting, and that although OMCA staff requested from the school the minutes of the September Governing Board meeting, they were never provided.

Mr. Frank Attkisson, representative for A&M, stated that the minutes were not taken because the meeting did not have a quorum, and as such was not conducted; however, he noted that they had failed to communicate this matter to the auditors in anticipation of today's meeting.

There was extensive discussion on the subject, whereby ABAC members expressed their dissatisfaction with the responses provided by the representatives of A&M. The Committee recommended for the Chief Auditor to make one additional attempt at meeting with the charter school representatives to satisfactorily address the concerns previously raised by the ABAC and the Chief Auditor, and bring back the final response to the upcoming ABAC meeting in January, 2013 (if time permits), or to the March 2013 meeting, at the latest. If the issues are not resolved and concerns not dissipated, then it was recommended to turn the matter over to the OIG for further investigation.

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

7. Presentation of the Annual Financial Statements, Educational Impact Fee Fund for FYE June 30, 2012

Mr. Montes de Oca introduced the item and explained that pursuant to an inter-local agreement between M-DCPS and Miami-Dade County, audited financial statements for impact fees received from the County are to be submitted to the County every year. Ms. Cynthia Borders-Byrd, CBorders-Byrd, CPA LLC explained that the report contained an unqualified opinion and did not have any findings or made any recommendations.

A motion was made by Dr. Feldman, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Annual Financial Statements, Educational Impact Fee Fund for FYE June 30, 2012 be received and filed by the School Board.

8. Audit of WLRN Television and Radio Stations for FYE June 30, 2012

The Chief Auditor introduced the item and explained that the Corporation for Public Broadcasting requires audited financial statements every year as part of the eligibility criteria for awarding grants to the TV and radio stations. Mr. Anthony Brunson, CPA, Sharpton, Brunson, & Co., pointed out that the report contained an unqualified opinion and did not report any findings or made any recommendations.

Mr. Carvalho proudly announced another accomplishment for M-DCPS, noting that WLRN won three Emmys for the coveted Suncoast Regional Emmy Awards, which recognize excellence in television and the regions' leadership for their artistic, educational and technical achievements within the television industry.

Ms. Hantman asked Mr. Harvey if the bylaws of Friends of WLRN had been amended as she had recommended to its Board.

Mr. Harvey responded that he will research Ms. Hantman's inquiry and report his findings in writing.

Mr. Thornburg pointed out that changes had been made, but he believes Ms. Hantman's amendments were not incorporated.

Ms. Hantman informed the Committee that she will be appointing a new School Board member to the Friends' Board, since the former School Board member who had been appointed did not provide any reports to the School Board.

A motion was made by Dr. Feldman, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Audit of WLRN Television and Radio Stations for FYE June 30, 2012 be received and filed by the School Board.

The following three items were presented and discussed together:

9. Audit of Magnet Education Choice Association, Inc.

10. Audit of Dade Schools Athletic Foundation, Inc.

11. Audit of Miami-Dade Coalition Community Education, Inc.

Mr. Montes de Oca introduced the items and explained that the three District Support Organizations are required to submit audited financial statements pursuant to School Board Policy. Mr. Anthony Brunson, CPA, Sharpton, Brunson, & Co., explained that these reports did not have any findings or made any recommendations.

A motion was made by Mr. Thornburg, seconded by Mr. McGhee, which carried unanimously, to recommend that the Audited financial statements for the Fiscal Year Ended June 30, 2012 Magnet Education Choice Association, Inc., Dade Schools Athletic Foundation, Inc. and Miami-Dade Coalition Community Education, Inc. be received and filed by the School Board.

12. Presentation of the Comprehensive Annual Financial Report, Auditor's Communication of Audit Results and Management Letter for FYE June 30, 2012

The Chief Auditor introduced the report by pointing out that the Controller's Office, represented by Ms. Connie Pou, had received the certificates of excellence in the preparation of the CAFR from the Government Finance Officers Association and the Association of School Business Officials for 27 and 28 years in a row, respectively. The report also received a similar distinctive coveted recognition from the Council of Great City Schools.

According to Mr. Donovan Maginley, Partner from McGladrey LLP, for the independent external audit firm which performed the audit, there were no disagreements with management or adjustments to the amounts reported. In their report, the independent external auditors provided an unqualified opinion on the financial statements; concluded that the financial statements presented fairly in all material respects the financial position of the School Board for the fiscal year ended June 30, 2012; and noted no major weaknesses in internal controls.

Under separate cover, Mr. Maginley communicated to the School Board, the ABAC and management the results of their tests of the School Board's internal controls over financial reporting and compliance with certain laws, regulations, contracts, grant agreements and similar matters (otherwise referred to as the "Management Letter"). Mr. Maginley did not identify weaknesses in the system of internal controls that he considered material or significant and reported that the school Board complied with transparency requirements. He; however, identified in the Management Letter a total of five control deficiencies and performance improvement observations in the areas of self-insurance, capital management and information technology security policy, review of user access rights and data restoration process. District management provided appropriate responses and is in the process of implementing corrective action, he concluded.

The finding that generated most of the discussion was related to the \$12 million transfer made to the Self-Insurance Fund to eliminate a multi-year deficit balance. ABAC members; however, were satisfied with the explanations provided by the administration as to the reasons for the transfer and their assurance that the deficits have been eliminated.

The Committee was most complimentary of the external auditors' performance, especially the fact that they met every milestone on time and maintained the ABAC informed of their progress.

There was no further discussion. A motion was made by Mr. Salver, seconded by Mr. Sanchez-Medina, which carried unanimously, to recommend that the Comprehensive Annual Financial Report, Auditor's Communication of Audit Results and Management Letter for FYE June 30, 2012 be received and filed by the School Board.

13. Monthly Financial Report Unaudited – For the Period Ending September 2012

Ms. Connie Pou, Controller, presented the report and explained that it also represents the first quarterly report for fiscal year 2012-2013 and that the revenue expectations and budget expenditures are on target.

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

INTERNAL AUDITS:

14. Internal Audit Report – Selected Schools

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, presented the selected schools audit and indicated that the report includes the audit results of 61 schools of which 17 schools had audit exceptions. Ms. Gonzalez pointed out that from these 17 schools, three treasurers committed fraud and two of those individuals have resigned. The third individual did not admit to the theft, but is no longer employed with the school system. One of the individuals was charged criminally and the case is at the State Attorney's Office pending consideration of the charges. In addition, Ms. Gonzalez explained that OMCA staff recommended to the District that personnel records of the three individuals be flagged to prevent future re-employment.

Dr. Feldman referred to the chart on page 1 of the Executive Summary and remarked that he was very pleased with the informative chart. He recommended that when there is a large number of findings reported, such as is the case here, a workshop should be conducted to assist these schools in preventing future findings.

Ms. Gonzalez acknowledged the suggestion and promised to discuss it with School Operations, noting that there may be additional information and recommendations that can be provided to the schools.

There was no further discussion. A motion was made by Dr. Feldman, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

15. Internal Audit Report – Selected Special Education Service Contracts

Mr. Montes de Oca presented the report and observed that this audit was conducted at the request of the Superintendent.

Mr. Trevor Williams, Assistant Chief Auditor, Operational Audits, indicated that this audit centered around the area of determining whether these agency service contracts were duly executed. The audit disclosed that the agency billings are in accordance with the terms of the contracts; however, the agencies were underpaid approximately \$66,000. Mr. Williams also noted the numerous recommendations to improve the process.

A motion was made by Mr. Thornburg, seconded by Dr. Feldman, which carried unanimously, to recommend that the Internal Audit Report – Selected Special Education Service Contracts be received and filed by the School Board.

16. Internal Audit Report – Audit of Year-End Inventories as of June 30, 2012

Mr. Montes de Oca explained that this audit is conducted every year to provide assurances to the external auditors on the fair valuation and controls of year-end inventories. He said he was pleased to announce that there were no audit exceptions.

Ms. Kairalla commended the members of the administration involved for their excellent work.

There was no further discussion. A motion was made by Mr. Salver, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Internal Audit Report – Audit of Year-End Inventories as of June 30, 2012 be received and filed by the School Board.

OTHER REPORTS:

17. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca mentioned that this report is for informational purposes only and it contains an update of the OMCA's completed and ongoing projects since the September 2012, meeting. He informed the committee that he participated in a Peer Review of the City of Milwaukee-Audit Department.

Mr. Montes de Oca reminded ABAC members and School Board members present that appointments/reappointments need to be made to the ABAC.

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

18. Annual Report for the M-DCPS Office of the Inspector General (OIG), Fiscal Year 2011-2012

Mr. Tom Knigge, Special Agent with the Office of the Inspector General for Miami-Dade County (OIG), made a concise presentation to the Committee of the OIG Annual Report for the 2011-2012 fiscal year.

There were several questions raised by Committee members related to a Supplemental Education Services (SES) tutoring program investigation noted in the OIG report, which were answered by the administration.

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

19. Office of the Inspector General Final Report of Investigation Re: Acceptance of Gratuities by Miami-Dade County Public Schools Employees Charles Hankerson and John Walker Ref. IGSB1112-1009

Mr. Knigge also presented a report on the findings of an OIG investigation on the acceptance of vendor gratuities by two school administrators. There were some questions about the disciplinary actions taken by the administration, to which members of the administration and the Superintendent provided responses.

This report was presented for informational purposes as required by School Board Policy 6840, Audit and Budget Advisory Committee. No transmittal to School Board by the ABAC was required, since School Board members had already been provided with copies of this report.

**20. A) Charter School Nesting for Federal Grants/Miami Herald
B) ABAC Role – AT&T Document
C) Necessity of Adding Policy Language to Limit ABAC’s Liability**

The Chief Auditor introduced an article from The Miami Herald issued on April 28, 2012, entitled *Charter Schools Get a Second Helping of Free Money*. The issues described in the article had raised concerns at a previous ABAC meeting and Mr. Thornburg had requested clarification as to the role and scope of ABAC’s work; and whether the ABAC’s Charter/Board policy should be amended to reflect its limitations on the determination of audits to be conducted and terms and conditions of audits performed.

Mr. Thornburg spoke about his concern regarding the very limited role of the ABAC and its members when it comes to audits’ scope and coverage and as it pertains to the liability limitation language in the charter of the ABAC.

There were several members who echoed Mr. Thornburg’s concern, but stated that their concern was not sufficient to merit a change in the School Board Policy.

Mr. Walter J. Harvey, School Board Attorney, provided an analysis addressing the legal necessity of adding policy language to limit the ABAC liability and concluded that that the risk of liability for ABAC members is not significant even without this or similar limiting language. He also stated that his office conducted an informal national survey and did not find any instances where an Audit Committee for a governmental entity has been suit on the grounds that are being discussed.

After extensive discussion, Dr. Feldman proposed bringing up the subject as a topic of conversation at the next School Board Committee meeting for the School Board members to consider. The ABAC members agreed with Dr. Feldman’s proposal.

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

21. Minority/Women Business Enterprises (M/WBE) Committee

Ms. Susan Marie Kairalla, Audit Committee Member, provided background information related to the existence of the M/WBE Committee and lamented how the Committee had slowly faded away. She explained that two years ago an audit report that was provided to the ABAC disclosed a decline in the number of minority businesses being awarded contracts by M-DCPS. She then explained that a group of business leaders including Mr. Ron Frazier, Chair, Small Business Enterprise Advisory Committee (SBEAC) got together to resurrect this Committee. Currently this group has made remarkable progress in resurrecting this Committee and has also come up with a new policy.

Mr. Ron Frazier, Chair, (SBEAC) made a brief presentation regarding the newly adopted policy. He stated that this new policy reflects a commitment by the School Board and the Superintendent to put in place another delivery mechanism. He then explained that the Small/Micro Business Enterprise Program (SBE/MBE) is a race and gender-neutral process, the purpose of which is to provide greater availability, capacity development and contract participation in School Board contracts to small and minority-owned business. It is also an effort to advance the Board's compelling interest in ensuring that it is neither an active nor passive participant in private sector marketplace discrimination, and to promote equal opportunity for all segments of the contracting community. He further explained that the SBEAC plays an important role in this process because its duty is to monitor, provide guidance, identify and evaluate issues, and make recommendations to the small business program. The SBEAC, he observed, will have representation from various organizations. In concluding, Mr. Frazier noted that a disparity study will be conducted to clarify several issues.

Ms. Kairalla was very complimentary of Mr. Frazier's efforts.

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

NEW BUSINESS

Mr. Sanchez-Medina shared with the Committee his experience as a "Principal for a Day" at a Miami-Dade County Public School and expressed how much he enjoyed it, pointing out that it is a wonderful program.

OLD BUSINESS

No discussion.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Shapiro at 2:54 p.m.

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