

MINUTES OF THE SPECIAL AUDIT AND BUDGET ADVISORY COMMITTEE
ORAL PRESENTATIONS/SELECTION OF EXTERNAL AUDITING FIRM
April 5, 2016

The Audit and Budget Advisory Committee met on Tuesday, April 5, 2016 at 12:30 p.m. in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Rayfield McGhee, Jr., Esq., Vice Chair
Mr. Juan del Busto
Ms. Christa Dotson Dean
Ms. Susan Marie Kairalla
Mr. Albert Lopez, CPA
Mr. Christopher Norwood, J.D.
Mr. Rudy Rodriguez, CPA
Mr. Erick Wendelken, CPA

Members Absent:

Mr. Roland Sanchez-Medina, Jr., Esq., Chair
Mr. Jeffrey Codallo
Dr. Lawrence S. Feldman, School Board Member
Mr. Joseph Gebara
Mr. Isaac Salver, CPA

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer

Call to Order

The ABAC's Vice Chair Mr. Rayfield McGhee, Jr., acted as chair because the ABAC's Chair Mr. Sanchez-Medina, could not attend the meeting. Mr. McGhee called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

Mr. McGhee introduced the newly appointed ABAC member Mr. Rudy Rodriguez appointed by School Board Member Ms. Susie V. Castillo. Mr. Rodriguez said he was privileged to be part of the ABAC and commented that he has been committed throughout his years as an employee while in M-DCPS to make the school district the best it could be. He believes the job of the ABAC is very crucial and it has made a difference in the district.

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Mr. McGhee introduced himself and asked everyone to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair
Dr. Marta Perez Wurtz, School Board Member
Mr. Alberto M. Carvalho, Superintendent
Mr. Walter J. Harvey, School Board Attorney
Ms. Lisa Martinez, Chief Strategy Officer
Ms. Daisy Gonzalez-Diego, Chief Communications Officer
Mr. José F. Montes de Oca, Chief Auditor
Ms. Connie Pou, Controller
Ms. Melody Thelwell, Chief Procurement Officer
Ms. Daisy Naya, Assistant Controller
Mr. Ron Steiger, Chief Budget Officer
Ms. Maria T. Gonzalez, Asst. Chief Auditor
Mr. Trevor L. Williams, Asst. Chief Auditor

Mr. Jon Goodman, Executive Director
Ms. Vivian Villaamil, Director
Mr. Luis Baluja, Supervisor
Ms. Yasmin Wong-Peraza, Procurement Analyst
Ms. Elvira Sanchez, Audit Coordinator
Mr. Jerold Blumstein, Chief of Staff
Ms. Jackeline Fals, Chief of Staff
Ms. Jennifer Rojo Suarez, Administrative Assistant
Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Lucila Gonzalez, Administrative Assistant
Ms. Lawandra Houston, Administrative Assistant

Cherry, Bekaert & Holland, LLP

Mr. John Gilberto, Engagement Partner
Mr. Jose Vila, Relationship Partner
Mr. Scott Anderson, Senior Manager
Ms. Lauren Martin, Manager
Mr. Andrew S. Fierman, Assurance Partner,
Alberni Caballero & Fierman, LLP

Moore Stephens Lovelace, P.A.

Mr. Dan O'keefe, Partner
Mr. Michael Gossman, Shareholder
Mr. Joel Knopp, Manager
Ms. Caryn Reiker, Manager
Mr. Eddy Castaneda, Supervisor
Mr. Pablo Llerena, GLSC, Partner
Mr. Shaun Davis, SDA, Partner

RSM

Mr. Bob Feldmann, Partner
Mr. Donovan Maginley, Partner
Mr. Anil Harris, Senior Manager
Ms. Leany Perez, Manager
Ms. Alexandra Lorie, Director
Mr. Eduardo F. Perez, Senior
Mr. Alex Auguste, Senior
Mr. Anthony Brunson, Engagement Partner, ABPA
Mr. Carlos Trueba, Rodriguez, Trueba & Co.

2. Discussion on Procedures for Selection of the Firms (RFP15-047-MT)

Ms. Melody Thelwell, Chief Procurement Officer, provided an overview of the procedures for the selection of the firm and informed everyone that the cone of silence had been lifted for deliberations and the selection process. Furthermore, the attendees were also informed that a conflict of interest form (provided) must be completed, if applicable.

Mr. Harvey explained the parliamentary procedures as they relate to conflict of interest and cone of silence.

3. Oral Presentations by Accounting Firms as follows:

Note: All firms were informed that each oral presentation duration was approximately 15 minutes to be followed by a question and answer session not to exceed 15 minutes in duration.

12:45 – 1:15 pm Cherry, Bekaert & Holland, LLP

Mr. John Gilberto commenced his firm's oral presentation and was followed by other members of the team.

Following the oral presentation, the Chair opened the floor for the question and answer session. The following are representative of questions (Q) posed to the bidders and answers (A) provided:

(Q) What types of processes or tools are in place for a good type of cyber security system?
(A) The firm has an iTag team that works in the area of IT. The team has experience in internal, as well as external testing systems.

(Q) Where does the firm reside and how will you be able to fit this engagement into your schedule?
(A) The firm has offices in Tampa, Fort Lauderdale and Miami. The firm's largest office is the Miami location. There are staff members with the expertise throughout other offices in Florida, but the liaison will come from the Miami office.

(Q) What is the experience of the auditor in charge of the fieldwork for this engagement?
(A) Mr. Danny Chesney who is an Audit Senior at Cherry, Bekaert with over four years of experience providing audit services to government entities will be in charge of field work. Mr. Chesney has prior experience with a Michigan based CPA firm serving governmental clients throughout Western and Northern Michigan. He has performed audits at 12 different school districts. He resides in Tampa, Florida.

(Q) What is the audit experience relating to the SAP System?
(A) The firm has the iTag team with many clients with the SAP system.

(Q) If selected to be the external auditor, will M-DCPS be the largest client? (A) Mr. Gilberto replied yes.

Regarding the inquiries on quality control, action programs, and result of the last peer review, Mr. Gilberto answered that they are due for a peer review this year and their last peer review three years ago was clean, with no comment on the report. Hopefully, like last year, they will have a clean report.

1:18 – 1:33 pm Moore Stephens Lovelace, P.A. (MSL)

Mr. Dan O’Keefe commenced his firm’s oral presentation and was followed by other members of the team.

Following the oral presentation, the Chair opened the floor for the question and answer session. The following are representative of questions (Q) posed to the bidders and answers (A) provided:

Regarding inquiries as to where the partners in charge of the audit reside and their experience with school districts, Mr. O’Keefe, responded that they all reside in Orlando, have vast experience with auditing school districts, and have been with MSL for at least 10 years. He also noted that they will also be working out of their Miami office with 20 staff members.

(Q) How robust is the cyber security program? (A) The focus will be on the IT general controls around the financial data, such as permissions, security applications, most importantly security awareness training.

(Q) It seems that the minority partners will carry a heavy load on the engagement? (A) The minority partners will have 40% of the engagement.

(Q) What will be the availability of staff and the engagement partner considering the existing engagements of the firm? (A) Staff and engagement partner will be readily available, although they currently have four engagements, they would not have made a proposal if they could not deliver.

(Q) Will M-DCPS be the largest client? (A) Yes, in terms in size, but not in terms of audit fees.

1:57 – 2:23 pm RSM US LLP (RSM)

Mr. Donovan Maginley commenced his firm’s oral presentation and was followed by other members of the team.

Following the oral presentation, the Chair opened the floor for the question and answer session. The following are representative of questions (Q) posed to the bidders and answers (A) provided:

(Q) What will the firm do to strengthen M-DCPS cyber security? (A) This service will be an add-on from the IT audit services. A review of the type of security controls, defense mechanisms that are in place and potential threats and vulnerability to the system. Recommendations will be made accordingly, and it will be conducted as a consulting service.

(Q) What percentage of the audit will the minority firms perform? (A) A total of 30%.

(Q) What are the years of experience of the engagement team which previously worked with M-DCPS. (A) The experience varies per auditor from 3 to 4 years, some auditor began the first year of the engagement, and some entered later after engagement had commenced.

(Q) Does this team have concurrent engagements? (A) This team will be solely dedicated to this engagement.

(Q) Reviewing the last 5 years of recommendations made to the M-DCPS, which would be the top 2 recommendations? (A) It would surround IT controls. Mr. Maginley mentioned that they will also provide a risk assessment as an add-on at no charge. Mr. Feldmann added that they would include a value added relating to construction projects and a construction specialist will be on board.

(Q) Are there any financial contributions made to M-DCPS? (A) Every year they select a school that needs building improvements and spend a day painting the building as needed. In addition, they purchased books for a school that were needed.

(Q) If awarded this contract, what would be specific areas of concentration? (A) Pensions, FTE, construction, and grants. Mr. Feldmann added that part of their planning process is communicating with management, so management has the opportunity to voice any concerns. Ms. Kairalla expressed satisfaction in knowing that RSM, in addition to auditing, contributes to M-DCPS.

(Q) Why should they be awarded this contract. (A) The institutional knowledge they have supports their auditing process to be able to concentrate on critical areas.

The Superintendent had no questions but expressed satisfaction with prior audits conducted.

4. Deliberation

Ms. Thelwell explained the ranking process and distributed a score sheet. She emphasized that the prices will be provided after the ranking has taken place, for a final decision.

A question was posed related to the District having any prior experience with the other two firms, since RSM has been the auditor for five years. Mr. Montes de Oca responded there was no prior experience with either firm.

There was some discussion about firms' headquarters being out of town and the negative impact that this may have on the audit. There were also positive comments related to the interactions with RSM throughout the years, which were made pursuant to questions by Committee members.

The Chair opened the floor to the committee members for comments. Committee members expressed themselves in favor of RSM, but it was noted that RSM was more costly, while having experience in auditing M-DCPS.

5. Negotiation of Fees

There was a question as to whom should negotiate the fees.

After extensive discussion and several comments from Committee members, it was decided that Superintendent Carvalho would negotiate the fees.

There was a short recess to tabulate the scores, after which Ms. Thelwell announced that RSM was the number one ranked firm with 95 points and MSL was number two with a score of 85.25 points.

A motion was made by Ms. Dean, seconded by Mr. Lopez, which carried unanimously, to recommend RSM, being the highest ranking firm, for consideration by the School Board.

Another motion was made by Ms. Kairalla, seconded by Ms. Dean, which carried unanimously, to recommend negotiations with the firm to meet the price of the lowest bidder.

In closing, Ms. Thelwell informed the Committee that the cone of silence was back on and in place. Any questions or comments should be directed to Ms. Thelwell, so that the process has a fair outcome and none of the firms are disqualified for not abiding by School Board Policies.

Mr. McGhee asked if the Superintendent will be the point person in the negotiation of the firm's fees. Ms. Thelwell responded yes.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. McGhee at 3:46 p.m.