

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
January 26, 2010**

---

The School Board Audit Committee met on Tuesday, January 26, 2010 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. Frederick F. Thornburg, Esq., Chair  
Mr. Manuel A. Gonzalez, CPA, Vice Chair  
Ms. Perla Tabares Hantman, Board Member  
Ms. Susan Marie Kairalla  
Mr. Willie Kemp  
Mr. Peter A. Lagonowicz, Esq.  
Ms. Wendy Lobos  
Mr. Rayfield McGhee, Esq.  
Mr. Robert Schomber  
Mr. Nick Tootle, CPA

Non-Voting:

Dr. Richard H. Hinds, CFO  
Mr. Jose F. Montes de Oca, CPA, Chief Auditor

**Call to Order**

---

Audit Committee Chair Mr. Frederick Thornburg called the meeting to order at 12:39 p.m. and welcomed everyone in attendance.

**1. Introductions**

---

Mr. Thornburg asked everyone to introduce themselves. The following persons were present:

Dr. Solomon C. Stinson, School Board Chair	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Dr. Marta Perez, School Board Vice Chair	Mr. Trevor L. Williams, Asst. Chief, Operational Audits
Dr. Lawrence Feldman, School Board Member	Ms. Valtena G. Brown, Region Superintendent
Mr. Alberto M. Carvalho, Superintendent of Schools	Dr. Carmen B. Marinelli, Region Superintendent
Mr. Freddie Woodson, Deputy Superintendent	Dr. Helen Blanch, Administrative Director
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Cynthia Gracia, Administrative Director
Mr. Luis Garcia, Deputy Asst. School Board Attorney	Mr. Jerry Klein, Administrative Director
Mr. Joseph A. Gomez, Asst. Superintendent	Ms. Martha Montaner, Administrative Director
Ms. Vera Hirsh, Assistant Superintendent	Ms. Penny Parham, Administrative Director
Dr. Marcos Moran, Assistant Superintendent	Dr. Janice Cruse-Sanchez, Administrative Dir.
Ms. Maria Teresa Rojas, Assistant Superintendent	Ms. Melinda McNichols, Senior Attorney
Dr. Daniel Tosado, Assistant Superintendent	Mr. John Labonia, General Manager, WLRN
Ms. Enid Weisman, Assistant Superintendent	Mr. Julio C. Miranda, District Director, OM&CA
Mr. Scott Clark, Risk/Benefits Officer	Ms. Olga Botero, Executive Director
Ms. Deborah Karcher, Chief Information Officer	Ms. Tiffanie Pauline, Executive Director
Mr. John Schuster, Chief Communications Officer	
Ms. Connie Pou, Controller	
Ms. Daisy Naya, Assistant Controller	

## ATTENDANCE CONTINUED

Mr. Jorge Fernandez, Director, ITS  
Mr. Jon Goodman, Director, OM&CA  
Mr. Christopher Morgan, Director  
Ms. Tamara Wain, Director, OM&CA  
Ms. Rosa Royo, Supervisor, Workers Comp  
Ms. Eileen Reilly, Financial Supervisor, WLRN  
Mr. Luis Baluja, Audit Supervisor, OM&CA  
Ms. Patra Liu, OIG  
Mr. Stephen Pollock, OIG  
Mr. Mark Teitelbaum, OIG  
Ms. Raquel Alexander, Administrative Assistant  
Mr. Jerold Blumstein, Administrative Assistant  
Ms. Jackeline Fals-Chew, Admin. Assistant  
Ms. Viviana Jordan, Administrative Assistant  
Ms. Ana Lara, Administrative Assistant  
Ms. Vivian Lissabet, Administrative Assistant  
Ms. Bertha Valcarcel, Administrative Assistant  
Ms. Lourdes Amaya, Admin. Asst.  
Ms. Elsa Berrios-Montijo, Admin. Secr.  
Ms. Sheryl Ragoo, Admin. Secr.

Mr. Jorge Perez-Alvarez, CFO, Friends of WLRN  
Mr. Rick Lewis, CEO, Friends of WLRN  
Mr. Charles Tatelbaum, Treasurer, Friends of WLRN  
Ms. Jo Asmuhdsson, Board, Friends of WLRN  
Mrs. Rachel Blechman, Ambassador, and Former Friends of WLRN Chair  
Ms. Debra Glaser, Coventry  
Mr. Elvis Vielma, Coventry  
Mr. James Earnest, Gallagher Bassett  
Mr. Mandy Valter, Gallagher Bassett  
Mr. Michael Costello, Managing Director, KPMG  
Mr. David Berley, WLRN, Legal Representative  
Mr. Jay Patel, Sr. Mgr., KPMG  
Mr. Robert Martin, Director, Excel Academy  
Dr. Lolida Dobbs, Board Chair, Excel Academy  
Mr. Rendell Brewster, President, R&B Financial  
Mr. Lionel Nerette, Manager, R&B Financial  
Ms. Kathy Gordon, VP, Siver Insurance Consultant  
Mr. Charles Dusseau, Citizen  
Mr. Dan Ricker, Watchdog, Editor and Publisher

After the introductions, Mr. Thornburg asked the members of the Audit Committee (Committee) to approve a request to move up items #9 and #10 to be addressed immediately after item #4, which they unanimously did. He then asked for a moment silent meditation for those suffering as the result of the tragedy in Haiti.

## **2. Approval of the Minutes of the Audit Committee meeting of December 8, 2009**

Mr. Thornburg gave accolades to Mr. Montes de Oca and his staff for a job well done on the minutes. A motion was made by Mr. Schomber and seconded by Ms. Lobos to approve the minutes of the December 8, 2009 Committee meeting. The motion carried unanimously.

## **3. Assignment of Specific Agenda Items to Audit Committee Members**

The Chair spoke again about a strategy to review the items presented to the Committee, whereby different members of the Committee will have primary responsibility for reviewing assigned items on the agenda, thus reducing the volume of reading that would otherwise be necessary. This strategy, he said, would also allow Committee members more time to concentrate on the particular items assigned and preparing for the possibility of assuming a non-policy making role in the school districts budgeting process. The Chair did remind the Committee members that they should still endeavor to read the entire meeting package.

He also suggested applying a Supreme Court practice whereby the members of the

Committee will speak first and will not speak again until all other members wishing to speak on an issue have done so. The objective of this practice is to enable the meetings to be conducted more efficiently and timely.

It was agreed that assignments of specific agenda items will be made to the Committee members for the March meeting.

## **PRESENTATIONS:**

### **4. Financial Statements and Tax Returns from Friends of WLRN, Inc.**

Mr. Thornburg introduced this item and explained that it was in front of the Audit Committee pursuant to the request of the Superintendent. At the Committee meeting of December 8, 2009, the Superintendent requested the Committee to invite representatives of Friends of WLRN, Inc. (Friends) to appear before the Committee to review and to discuss: (i) its financial statements and recent federal 990 tax returns; and (ii) the legal and operating relationship among Friends, WLRN Radio and Television stations, and the School Board.

Mr. Carvalho explained that in the spirit of transparency and the objective of promptly addressing any problems, issues, and hallmarks of his administration, he wanted to have an open discussion and review of the mission and role of Friends.

The Superintendent went on to note the sole and specific reason for the establishment of Friends, as verified by its own bylaws and statements in its form 990 federal tax return, is to raise funds exclusively for the benefit of WLRN. He also expressed displeasure and concern with other Friends' actions, including the manner in which he was treated by Friends when he requested to see its financial statements and records; and the disregard by Friends of his request to delay voting on proposed amendments to the Friends' bylaws until he had an opportunity to consider and discuss the proposed bylaw revisions.

Mr. Tootle disclosed to the Committee that a partner from the firm for which he works is the Chairperson of the Board of Friends and that he would recuse himself on this agenda item, should it appear he has a conflict of interest or an appearance of a conflict of interest.

As requested by the Committee, Mr. Harvey canvassed the results of his analysis of Friends' legal relationship with WLRN and the School Board. Mr. Harvey reported that prior to its amendments, the 1993 governing Friends' bylaws expressly provided that the Superintendent had the authority to appoint the President and CEO of Friends and that no bylaw changes could be effected without the Superintendent's approval and endorsement. In response to an inquiry by the Chair, Mr. Harvey indicated that he had found no evidence whatsoever that any Superintendent had ever surrendered any right on authority vested in the Superintendent by the provisions of the 1993 bylaws.

Mr. Charles Tatelbaum informed the Committee that Friends publishes annually audited financial statements and offered to share those statements, noting that they are available for inspection.

As a result of reviewing the Financial Statements of Friends of WLRN, there were several questions posed to the representatives of Friends from the Committee and a number of members of Miami-Dade County Public Schools (M-DCPS) administration. Particular note was made of what was deemed to be excessively high salaries of certain Friends' administrators and sales representatives.

Mr. Gonzalez inquired as to why management expenses appeared to be so high.

Mr. Rick Lewis, CEO, Friends of WLRN, explained that those management expenses have to do strictly with fund raising operations, which include memberships, pledge drives, corporate radio and television airtime, direct mail, telemarketing, etc., that are incurred in developing support for the stations.

Chief Auditor Mr. Jose Montes de Oca observed that, considering the comparatively small size of the staff, the amounts of the salaries are extremely high and possibly disproportionate to the amount of contributions and revenues generated. He pointed out the salary of the Sales Senior representative who in 2005, 2006 and 2007 was paid \$259,000, \$247,000, and \$315,000, respectively, plus other benefits amounting to several thousand dollars. Mr. Montes de Oca also noted that several other administrators had salaries exceeding \$100,000 during those years.

Mr. Charles Tatelbaum proffered an explanation of the way the salaries under review are structured. He noted that the Friends' Board works with an organization called The American Society of Association Executives (ASAE) and that this organization provides guidance and assistance to them in setting compensation levels by supplying Friends with a list of benchmark salaries for not-for-profit organizations. Mr. Tatelbaum said that Friends uses these benchmarks to establish salaries. He further explained that the salaries in question are salespersons that receive pay on the basis of a 10% commission schedule, which is the standard for the industry. He also explained that the two Executive Sales employees are also the community outreach people who are constantly in front of the public as the goodwill ambassadors for Friends of WLRN, and while the salaries may seem very high, statistically they are consistent with what the industry charges. Mr. Tatelbaum also noted that Mr. Lewis' salary is 10% below ASAE standards.

Concurring with several members of the Committee and internal audit staff, Superintendent Carvalho expressed dissatisfaction with Mr. Tatelbaum's explanation on the high salaries and said he was extremely disturbed. He noted that, as the CEO of the M-DCPS, who is responsible for a budget close to \$6 billion and with assets close to \$9 billion, he does not make close to what one of the salespersons earns. Mr. Carvalho also pointed out that Dr. Hinds, as CFO and Assistant Superintendent, for M-DCPS makes only about half of that salary. The Superintendent provided other examples that illustrated the huge disparity between salaries and responsibilities amongst M-DCPS employees and Friends' personnel. Mr. Carvalho concluded that the salaries that are in question are tantamount to insulting, considering the challenges M-DCPS has faced during this past fiscal year and anticipates having to cope with in the next fiscal year.

Mr. Tootle asked Mr. Carvalho if he believed that M-DCPS will be in a better position if these Friends' administrators are fired because the CEO and CFO at M-DCPS make less money.

Superintendent Carvalho effectively responded that the question is specious and that he does not find sufficient justification for these high salaries given the gauge of the tough economy and what others in the school system are earning. He concluded that he is convinced three people making a fraction of the salaries under review can generate the same outcome under a lower and restructured compensation program. He observed that there are employees in the school system who carry a greater responsibility and oversee large grants who earn much less money.

Mr. Thornburg opined that in view of the plethora of concerns, it would be prudent for Friends Board to revisit the compensation issue.

Dr. Feldman suggested three major factors should be considered when revisiting the issues at hand, namely, 1) Who sets the salaries? 2) Are performance evaluations conducted? and 3) Are large amounts of contributions being funneled back?

Mr. Kemp inquired about the large increase in cash on the books of Friends.

Mr. Lewis explained that the large increase in cash is due in no small measure to the beginning of the lease arrangement for the 12 licenses and the Board's intention to create an endowment fund, where the principal would be protected and the proceeds dedicated to help WLRN. Mr. Thornburg commented that the establishment of an endowment fund is a topic that needs to be canvassed with and concurred by WLRN. Endowments frequently serve as an excellent vehicle for managing charitable funds but cautioned that in these very difficult economic times, which are projected to continue for the foreseeable future, WLRN may need every available dollar raised by Friends rather than storing them in an endowment fund. The Chair reminded everyone that Friends' sole mission is to raise monies for WLRN's use.

Mr. Gonzalez asked representatives of Friends how they view their operating relationship with WLRN. Mr. Tatelbaum acknowledged that they have briefly discussed and explored from time to time the advisability of reaching an operating accord with WLRN. He agreed with Mr. Thornburg that after listening to the discussion that an operating agreement between WLRN and Friends is needed.

After further discussion on the topic and on the suggestion of the Committee Chair a motion was made by Mr. Gonzalez, seconded by Ms. Hantman and carried unanimously to recommend that: 1) Friends submit its financial statements and tax returns for the Committee's review annually; 2) a written operating agreement should be negotiated and entered into between WLRN and Friends; and 3) the bylaws be codified in concert with the original bylaws of 1993. The operating agreement and codified bylaws are to be presented to the Audit Committee within 60 days.

In response to Mr. Thornburg's inquiry, Superintendent Carvalho fully endorsed these recommendations and agreed to the suggested course of action as a vehicle for addressing and resolving any outstanding issues and concerns.

## **5. e-Recruitment Test and Operational Readiness Cutover Plan Assessment Findings and Recommendation Report and M-DCPS Management Response**

---

Mr. Costello, Managing Director for KPMG, LLP made a presentation on the operational readiness and cutover aspects of the e-Recruitment. Mr. Costello said that there were no significant findings related to testing strategies; however there were some recommendations related to the cut-over and production readiness. He noted that according to the administration most of these issues have already been addressed. Mr. Costello expressed comfort with the administration's responses.

This presentation was for informational purposes only; therefore, no transmittal by the Committee to the School Board was required.

## **6. Charter Schools**

---

Ms. Weisman and Ms. Pauline made a comprehensive presentation on the status and environment of the District's Charter Schools and the corresponding accountability measures that have been put in place to ensure the District is properly carrying out its oversight responsibilities.

Mr. Thornburg asked that, in light of the frequent and often repeated issues of both an academic and financial nature with many charter schools which are brought to the Committee every year, whether the local guidelines for granting school charters should be made more stringent than the State statutory guidelines in an endeavor to eliminate the granting of charter to organizations that telegraph potential problems for the school system.

Ms. McNichols responded that typically when applicants are denied a charter, they have the right to appeal to the Florida Department of Education (FLDOE) and in most cases the applicant is granted the charter. She offered to review the application and take a closer look at the restrictions.

Mr. Woodson asked Ms. Pauline for the number of charter applications submitted during FY 2009-10.

Ms. Pauline explained that 67 applications were submitted, 26 were withdrawn, 17 have been approved and the remaining 24 are in pending status. Ms. Pauline also explained that a year ago the board rule was revised to make the guidelines and application process more stringent.

Ms. Weisman explained that in the past when a charter school was in deteriorating condition the determination of a financial emergency condition was made by the District. Presently that determination is ultimately made by the FLDOE. Ms. Weisman noted that currently the contract is being revised and the board rule governing charter schools may be revised as well.

Ms. Weisman commented that in lieu of the abundance of information being provided to the Committee regarding the Laws, Regulations and Guidelines that the charter schools must abide by, she offered to provide a more concrete and comprehensive explanation to Committee members who had any questions.

This presentation was for informational purposes only; therefore, no transmittal to the School Board by the Committee was required.

Mr. Thornburg gave Ms. Weisman kudos on the terrific job she and her small team do considering all of the potential vagaries, challenges and problems attendant to overseeing charter schools. He noted that she is facing a traumatic expansion of applications for charter schools and has a very limited staff to discharge her duties.

## **7. M-DCPS Monthly Financial Report – November 2009**

Although the Chair recognized that the Office of the Inspector General was operating well-within the contract amount, he inquired as to why the IG office had the largest percentage budget increase.

Dr. Hinds affirmed that the Inspector General is within the contract amount and that the increase is attributable to the fact there were more activities this year than last year.

Mr. Thornburg requested that since there was a possibility in the near future the Committee might be involved with the budget process, it should be provided with quarterly statements of operations and balance sheets in addition to the Monthly Financial Reports. It was agreed that providing such statements harbor merit to enhance the Committee's understanding of the school system's operations and financial needs.

Dr. Hinds stated that the first budget resolution will be presented to the Board at its February 10, 2010 meeting and suggested that Mr. Montes de Oca can forward it to the March Audit Committee meeting.

Mr. Montes de Oca agreed to provide such report at the next scheduled Committee meeting.

Mr. Kemp referred to page 1, of the Statement of Operations - General Fund and asked for an explanation of the deficit noted.

Ms. Pou explained that the deficit is technically a timing issue. She noted that the collections for property taxes in November 2009 were less than the amounts that will be collected in December and then there will be no deficit. She also explained that the Committee will become familiar with this report once it is received on an ongoing basis.

The Audit Committee requested that the monthly financial reports be brought to each meeting.

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

**8. (a) Proposed Amendments to School Board Rules Related to the Office of the Inspector General**  
**(b) Proposed Draft Audit and Budget Advisory Committee Board Rule**

---

Mr. Thornburg introduced the rules and expressed concern with one of the proposed revisions to the rule related to the OIG, noting that there may be a possible relinquishment and abandonment of the authority of management, the administration and the School Board to the Inspector General's office. He also expressed concern about the possibility of vagueness as telegraphed by the guidelines for the proposed rules.

Mr. Thornburg suggested tabling discussion on these proposed rules to afford the Committee more time to thoroughly understand the many proposed changes. He suggested that it may be premature to consider the foregoing amendments until the Committee has had the opportunity to reflect further on the matter.

The Chair was asked to explain his possible concern regarding the proposed changes to the OIG rule. Mr. Thornburg explained that he finds the language in the proposed action as being possibly overreaching and vague where it reads that *"The Superintendent, or the appropriate entity, upon receiving the Inspector General's final report that requests that the Office of the Inspector General be provided with a corrective action plan, follow-up response, or other status report, shall timely prepare said report and submit it to the Inspector General within the time period requested by the Inspector General..."*

Mr. Lagonowicz suggested that this item be presented at the beginning of the next Committee meeting, to avoid time constraints in the discussion.

There was no further discussion. A motion was made by Mr. Gonzalez, seconded by Mr. Schomber that carried unanimously, to table the Proposed Amendments to School Board Rules Related to the Office of the Inspector General and Proposed Draft Audit and Budget Advisory Committee Board Rule.

**OTHER REPORTS:**

**9. Inspector General Report Final Audit Report Re: Miami-Dade County Public School Workers' Compensation Program and Action Plan from the Office of Risk and Benefits Management**

---

The Chair introduced the report and opened discussion by stating that this audit was under construction for over 18 months. He explained that after reading the findings set forth in the report, he was of the view that, except in special circumstances, no contract should be entered into for more than 2 to 3 years without the expressed consent of the Superintendent and the School Board. He pointed out that the same vendor was utilized for 15 years and that potentially breeds problems.

Mr. Carvalho agreed and informed the Committee that his administration will be vigilant in determining the terms of contracts and establishing shorter terms. In addition, specific language will be entered in every contract to allow for termination of service for convenience within a specific period of time. He noted that responses to a Request for Proposals that was issued as a result of some of the findings in this report, are due back on this day and explained that he was extremely disturbed with some of the findings.

The Superintendent continued to explain that when he became aware of the Workers' Compensation problems in August 2009, he took immediate action to address the most important issues. He also explained that he took prompt action even before the report was made final and published. Mr. Carvalho advised the Committee that when the report became final, three events had taken place: 1) the contract was terminated one year in advance; 2) the contract was being re-marketed and; 3) 29 out of 31 recommendations made by the OIG were being implemented. The remaining two recommendations technically do not make sense to implement at this time. In this regard Mr. Carvalho informed the Committee that an action plan has been established and there will be an update to that action plan to address every deficiency noted and every recommendation made by the OIG. The Superintendent made clear that processes were broken and that his team inherited the problem; however, he assured the Committee that the problems will be addressed and fixed.

Lastly, Mr. Carvalho noted that the ultimate fix will begin with re-marketing of the program, negotiating with those who apply, carefully analyzing all recommendations the OIG provided and making certain there is ongoing monitoring to every facet that broke down in the past years.

Dr. Hinds explained that most of the contracts the District enters into are either annual or two year contracts and that the contract with Gallagher Bassett was presented to the School Board for ratification every so many years.

Mr. Clark informed the Committee that 13 individual agenda items were presented to the School Board in which the contract was augmented or changed, and renewed.

Mr. Carvalho emphasized that the Board members can only react and approve what staff has made them aware of and that this is an extremely complex area.

Mr. Schomber concurred with Mr. Thornburg and also expressed concern about the contracts being extended without rebidding.

School Board members present acknowledged that although agenda items were provided during the contract's 15 years, the Board can only rely on information provided to them by the administration. Such information can be very convincing in favor of recommendations to approve contract extensions.

Based on the discussion Mr. Schomber requested the administration to bring back to the Committee's proposed language to strengthen the bidding and rebidding processes. Mr. Carvalho agreed to provide language designed to strengthen the existing board rule.

School Board Vice-Chair and Committee member Ms. Hantman asked if an evaluation process exists for vendors. Mr. Clark responded that there is an informal review process for contracts that exist and expire on June 30, 2010. However, he continued to explain that a more robust process will be implemented which will include penalties for not abiding by the contract and will become effective on July 1, 2010. Mr. Carvalho, however, noted that a formal evaluation process does not exist and should be considered as predicated on today's discussion.

Mr. Thornburg concurred with the Superintendent and pointed out that a formal evaluation process plays a critical role in effective administration. He stressed that contractors need to be formally evaluated.

Mr. Thornburg complimented Mr. Clark for being positive in a negative situation and for his constructive responses to the IG 's recommendations.

Mr. Carvalho agreed that the evaluation process needs to be strengthened.

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

## **EXTERNAL AUDITS:**

### **10. Reviews from the Council of the Great City Schools**

---

#### **(a) Department of Food & Nutrition**

Dr. Moran introduced the report and explained that a review of M-DCPS Department of Food & Nutrition was conducted by the Council of the Great City Schools (the Council). The Council outlined 19 recommendations in the report, all of which were addressed. Dr. Moran informed the Committee that at this time last year the Department had a deficit of \$1.8 million, but now enjoys a surplus of over \$300,000.

Superintendent Carvalho stated that he had requested this and other reviews, knowing that these were troubled departments and for that reason he had experts come in and review these operations. Mr. Carvalho pointed out that the direst issue with the Department of Food & Nutrition was that it is not a self-sustaining program and at that time had a deficit balance. Mr. Carvalho observed on the positive side that in comparison to our deficit, the Council reported that other entities with much smaller programs had larger deficits than M-DCPS. The Superintendent marveled that in such a short period of time, the Department had turned an operation that was losing money into a profitable program. In addition, Mr. Carvalho complimented Dr. Moran and his staff for the turnaround and for improving the food service operation.

In response to Mr. Schomber's inquiry, Ms. Parham explained that the Department of Food & Nutrition is in the process of implementing many changes and highlighted that a database system has been put into operation. This system empowers the administration with weekly performance data reports from their appropriate schools. Ms. Parham acknowledged the

support of School Operations and the Regional Centers, which have helped to make significant gains in the student meal participation. This participation not only benefits the students, but also assists the District in increasing the federal reimbursements. Ms. Parham stressed that increased participation has made the greatest financial impact on the turnaround of the Department of Food & Nutrition.

Mr. Thornburg noted that part of the overall critique of the review was that there was not enough strategic planning and asked if this is being addressed.

Dr. Moran explained the various strategies that are being implemented.

Mr. Schomber asked if an exit conference was conducted for this review.

Mr. Carvalho explained that this review is not a typical audit where an exit conference is conducted, and he further advised the Committee that this organization is a reputable entity which merely observes and reports its findings.

Committee member Mr. Schomber expressed dissatisfaction with an exit conference not being held, because he believes a meeting should take place to discuss and resolve issues before a report is published. He said the Council should change the way it conducts its reviews to provide the auditee an opportunity to answer what can possibly be erroneous assumptions by the auditor.

Ms. Kairalla commended Ms. Parham and staff and noted that her style of management has made a significant positive difference in the operation of the Department of Food & Nutrition.

Mr. Thornburg requested an update when the system is online.

### **(b) Follow-Up Department of Transportation**

Dr. Moran introduced the plan and explained that at the December 9, 2009 Audit Committee meeting a report by the Council of the Great City Schools was reviewed and that he was asked to provide an update on selected audit concerns, which he was now doing. There were no questions on this update report.

These reports from the Council were for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required. The Committee Chair gave Dr. Moran and his team accolades for their apparent successful endeavors.

### **INTERNAL AUDITS:**

#### **11. Review of Audited Financial Statements FYE June 30, 2009 for the following 36 Charter Schools**

---

Mr. Williams introduced the financial statements of Excel Academy and briefly explained that this school is experiencing serious economic problems. He noted that the Office of

Management and Compliance Audits had requested additional information concerning financial issues from the school, and that correspondence from the school addressing the issues was received and reviewed. He mentioned that representatives from the school had been invited to attend the meeting and were available to address any questions or concerns the Committee may have.

Spokepersons from the external audit firm representing Excel Academy provided explanations on the severe issues reflected in Excel's financial statements.

There was extensive discussion on appeals and promises by Excel's Board Chair and new administration, as well as substantial input from the Superintendent, Mr. Woodson and Ms. Weisman.

There was also lengthy discussion by the full Committee expressing their extreme dissatisfaction with the serious issues at hand; however, they concluded that in order to avoid great disruption and inconvenience that closing the school at this time will cause the students, the school should remain open for now and that an opportunity be afforded to Excel's administration to turn the school around.

A motion was made by Mr. McGhee, seconded by Mr. Gonzalez and carried unanimously to request that Excel's administration provide an academic plan and financial update, including submitting unaudited financial statements as of December 31, 2009 to be provided at its March 16, 2010 meeting.

Mr. Thornburg introduced the financial statements for the remaining 33 charter schools which had no significant issues and he complimented the audits.

Mr. Montes de Oca informed the Committee that audited financial statements for Charter on the Beach Middle and the Tree of Knowledge Learning Academy, Inc., were also presented, although these schools have ceased operations and have been terminated.

There being no further discussion and on a motion duly made by Mr. McGhee, seconded by Ms. Kairalla, that carried unanimously, the transmittal of the final group of the 36 audited financial statements for fiscal year ended June 30, 2009, was approved to be transmitted to the School Board for receipt and filing.

## **12. Office of Management and Compliance Audits' Activity Report**

---

Mr. Montes de Oca noted that this report is a snapshot of what transpired in the Office of Management and Compliance Audits since the last Committee meeting.

The Chair gave accolades and high marks to Mr. Montes de Oca on the superb job he and his team are doing and for the long hours the Chief Auditor has devoted since his appointment.

This report was for informational purposes only; therefore, no transmittal by the Audit Committee was required.

### **13. Internal Audit Report – Selected Schools**

---

Ms. Gonzalez presented the report and noted that it includes the results of 37 audits, eight of these schools had audit exceptions in various areas such as disbursements, payroll, property, and FTE.

The Committee commended Ms. Gonzalez for a great job.

There was no further discussion and upon a motion duly made by Mr. Tootle, seconded by Ms. Lobos, which carried unanimously, it was recommended and approved that the Internal Audit Report – Selected Schools be received and filed by the School Board.

### **OTHER BUSINESS:**

#### **14. New Business**

---

There was no new business to discuss.

### **Adjournment**

---

Upon motion duly made and seconded, and there being no further business to come before the Committee, Mr. Thornburg adjourned the meeting at 3:36 p.m.

The agenda items were discussed in the following order: 1, 2, 3, 4, 9, 10a, 10b, 6, 5, 8a, 8b, 7, 11, 12, 13.