

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
March 11, 2014**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, March 11, 2014, 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. (Chair Pro Tem)
Dr. Lawrence S. Feldman, School Board Vice Chair
Ms. Marian L. Hasty, Esq.
Mr. Christopher Norwood, J.D.
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA
Mr. Frederick F. Thornburg, Esq.

Members Absent:

Mr. Jeffrey B. Shapiro, Esq., Chair
Mr. Roland Sanchez-Medina, Jr., Esq., Vice Chair
Ms. Susan Marie Kairalla
Mr. Benjamin Moskowicz, CFP®

Non-Voting (Absent):

Dr. Richard H. Hinds, Associate Superintendent/Chief Financial Officer

Mr. Montes de Oca informed the Committee that Chairs Mr. Shapiro and Mr. Sanchez-Medina will not be attending today's meeting due to other engagements. Mr. Montes de Oca offered nominations for a Chair Pro Tem. Dr. Feldman nominated Mr. McGhee which was seconded by Mr. Thornburg and it carried unanimously.

Call to Order

Mr. Rayfield McGhee, Chair Pro Tem called the meeting to order at 12:40 p.m. and warmly welcomed everyone in attendance.

There was a moment of reflection.

1. Welcome, Introductions and Moment of Reflection

Mr. McGhee requested everyone in attendance to introduce themselves, which they did. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Ms. Raquel Alexander, Administrative Assistant
Ms. Raquel A. Regalado, School Board Member	Ms. Viviana Jordan, Administrative Assistant
Mr. Alberto M. Carvalho, Superintendent	Mr. Blake F. Juste, Administrative Assistant
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Ana Lara, Administrative Assistant
Ms. Milagros R. Fornell, Chief of Staff	Ms. Anna Parekh, Chief of Staff
Mr. José F. Montes de Oca, Chief Auditor	Ms. Marisol Marin, Administrative Assistant
Mrs. Valtena G. Brown, Chief Operating Officer	Ms. Elsa Berrios-Montijo, Administrative Secretary
Ms. Judith Marte, Deputy Chief Financial Officer	Ms. Lucila I. Gonzalez, Administrative Secretary
Mr. Luis M. Garcia, Deputy School Board Attorney	Ms. Monica Troutman, Property Auditor
Ms. Marie Izquierdo, Chief Academic Officer	Mr. Tony Cotarelo, Media Specialist
Ms. Enid Weisman, Chief Human Capital Officer	Mr. Carlos Trueba, CPA, Rodriguez, Trueba & Co.
Dr. Sylvia Diaz, Assistant Superintendent	Mr. Donovan Maginley, Partner, McGladrey LLP
Ms. Tiffanie Pauline, Assistant Superintendent	Mr. Alfredo De La Rosa, Director, Miami Arts Charter
Dr. Marcos M. Moran, Assistant Superintendent	Mr. Dan Ricker, Publisher and Editor
Ms. Deborah Karcher, Chief Information Officer	Mr. David Smiley, The Miami Herald
Mr. Leonardo Fernandez, Treasurer	
Mr. Albert Payne, Region Superintendent	
Ms. Connie Pou, Controllor	
Ms. Mindy McNichols, Asst. School Board Attorney	
Mr. Julio Miranda, Asst. Chief, Investigations	
Mr. Trevor L. Williams, Asst. Chief, District Audits	
Ms. Daisy Naya, Assistant Controllor	
Ms. Tabitha Fazzino, Administrative Director	
Ms. Cynthia Gracia, Administrative Director	
Dr. Ana M. Rasco, Administrative Director	
Mr. Robert Strickland, Administrative Director	
Mr. Jon Goodman, Executive Audit Director	
Ms. Joyce Castro, District Director	
Ms. Meyme Falcone, District Director	
Mr. Ivo Gomez, Claims Compliance Officer	
Mr. James O'Donnell, CISO	
Mr. Chris Morgan, Director	
Ms. Tamara Wain, Director	
Mr. Richard Yanez, Audit Director	
Mr. Tom Knigge, OIG, Supervisor Special Agent	
Mr. Luis Baluja, Supervisor	
Mr. Paul Smith, Supervisor	

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of January 28, 2014

The Chair drew the members' attention to the minutes for the ABAC meeting of January 28, 2014, and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

Mr. Thornburg made some explanatory remarks about a section of the minutes dealing with unfinished business and he clarified that his comments were not meant negatively. He also said that the first sentence on the top of page 6, where it states "as authorized by Florida Statutes", should really read "the School Board is authorized by Florida Statutes", because as it reads it is unclear what the Florida Statutes modify.

With accolades to Mr. Montes de Oca and his staff for very well-written minutes, Dr. Feldman moved and Mr. Thornburg seconded the approval of the minutes, as amended, to serve as the memorialization of the January 28, 2014, ABAC meeting. The motion carried unanimously.

INTERNAL AUDITS:

3. Internal Audit Report – Selected Schools

Mr. Montes de Oca informed the Committee that he will present the report on behalf of Ms. Gonzalez since she was absent due to illness. He explained that the report contains the results of 41 school audits, eight of which had findings and particularly at two schools the findings were substantial. He pointed out that at Jorge Mas Canosa Middle School where the findings related to receipts and disbursements, the audit apparently led to the treasurer's resignation. The findings were referred by the Office of Management and Compliance Audits (OMCA) to the State Attorney's Office for prosecutorial consideration. However the findings were not considered sufficient evidence for prosecution. Additionally, at Robert Morgan Educational Center, where the center's administration reported and OMCA corroborated improprieties by the financial aid officer, the findings led to termination of her employment.

Superintendent Carvalho strongly communicated that anyone can make a mistake, but repeat offenses are taken much more seriously and in those cases he will take appropriate action, as has done in the past, when Mr. Montes de Oca has identified such findings in previous audits.

Dr. Feldman shared with the Committee his concerns about former employees who have been terminated due to theft and inquired whether their personnel records are identified to prevent these employees from being employed by the District and the process for providing reference in the future to potential employers.

In regards to Dr. Feldman's concerns, Mr. Harvey responded that in relation to former employees who have committed an illegal act, in accordance with Florida Statutes and School Board Policy, there are significant limits on what information can be shared with the public from personnel files.

In addition, Dr. Feldman noted for the record that his comments do not reflect negatively on those principals that continue to have clean audits, and that school operations and the audit department are doing an outstanding job.

Responding to Dr. Feldman's concerns, Mr. Carvalho gave a brief insight on his procedures in handling infractions. He explained that having 53,000 employees there is plenty of room for mistakes. He assured the Committee that personnel records for those employees that are fired or resign while in the process of being investigated are flagged to prevent them from ever being hired.

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

4. Internal Audit Report – Audit of Electronic Grade Book Security and Controls

Mr. Trevor Williams, Assistant Chief Auditor, presented the above-mentioned report and explained that this audit focused on the front-end application that is used in the electronic grade book (EGB) system by this District and most of the charter schools to collect student grades and attendance. He further explained that the objective of this audit was to review the security and control structure around this application and assess any impact that it might have on any application it feeds into or interfaces with. He stated that the audit disclosed that while the system is accomplishing its intended goals, opportunities were identified to implement additional controls to enhance security.

After some discussion regarding security issues, Mr. Carvalho commented that there has been zero security breaches associated with the electronic grade book and believes that although the system is solid, he is open to enhancements which will improve the system. He expressed his appreciation on the effort by the OMCA.

Mr. Thornburg gave accolades to Mr. Williams and staff for an excellent report, and noted that the report was very clear and the recommendations were very well taken.

Mr. McGhee inquired about what corrective action will be taken to address the recommendations noted on the report.

Ms. Karcher responded that most of the recommendations have been addressed and explained the steps that will be taken to address those that have not yet been implemented.

Dr. Feldman referred to page 25, of the report, relating to the charter schools' option of using the District's EGB product and asked how the District can aid charter schools to strengthen their security and safety controls.

Ms. Valtena Brown, Chief Operating Officer, responded that while having discussions with the audit department on this, that issue came up. She explained that according to the charter schools contract, schools can elect to use certain elements of the system and their representatives sign a document agreeing to follow the procedures. Ms. Brown

acknowledged that what may be lacking is appropriate training and the administration will be providing the training moving forward.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Dr. Feldman, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Electronic Grade Book Security and Controls** be received and filed by the School Board.

EXTERNAL AUDITS:

5. Presentation for 35 of 120 Charter Schools Audited Financial Statements FYE June 30, 2013

The Chief Auditor presented the above-referenced topic and noted that the certified financial statements for 35 of the 120 charter schools operating in Miami-Dade County during fiscal year 2012-13 were reviewed by personnel in OMCA and determined to be free of significant fiscal issues, except for one. He then noted that the school which presented financial concerns had resolved them to OMCA's satisfaction, mostly by the increasing student enrollment. In addition, he pointed out that the school provided a plan to address the issues and if the school follows the plan accordingly, this situation will be remedied.

There was no further discussion. A motion was made by Mr. Salver, seconded by Mr. Rasco, which carried unanimously, to recommend that the **Presentation for 35 of 120 Charter Schools Audited Financial Statements FYE June 30, 2013** be received and filed by the School Board.

6. Proposed Fees for Audit of Financial Records for the fiscal years ending June 30, 2014 and June 30, 2015, External Auditing Services, McGladrey LLP

Mr. Montes de Oca introduced the above-referenced subject and explained that pursuant to the Committee's charge it had selected and recommended the hiring of an external audit firm, McGladrey LLP three years ago. Now the firm is submitting for the Committee to consider their proposed fees for the audit of financial records for fiscal years 2013-2014 and 2014-2015. Mr. Montes de Oca further explained that this firm was awarded a three year contract, which ended with the 2012-2013 fiscal year audit, and the contract also provides for a two-year extension.

Mr. Maginley addressed the Committee, noting that he and his firm have enjoyed the relationship with the School Board and would like to continue providing their services. He explained that their fees were flat for the first three years and the proposed fees contain less than a 5% increase for next two years.

Mr. Thornburg commented that he led the effort to reduce the firm's fees at the time of hire because of the District's difficult financial situation and they graciously accepted it. He also commented that since the beginning of their tenure their performance has been fantastic and he endorsed their modest increase.

Mr. Salver also registered his satisfaction with the excellent performance of the firm.

With accolades to Mr. Maginley and staff on a great job, Mr. Salver moved and Mr. Thornburg seconded a motion, which carried unanimously, to recommend that the **Proposed Fees for Audit of Financial Records for the fiscal years ending June 30, 2014 and June 30, 2015, External Auditing Services, McGladrey LLP** be received and filed by the School Board.

7. Monthly Financial Report Unaudited – For the Period Ending December 2013

Ms. Connie Pou, Controller, presented the above-referenced report, noted that it is for the period ending December 2013, and that it was approved by the School Board at its February 2014 meeting.

Referring to the balances in the self-insurance fund, Mr. Thornburg inquired if the administration was comfortable with these figures.

Ms. Pou responded in the affirmative.

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

OTHER REPORTS:

8. Office of Management and Compliance Audits' Activity Report

The Chief Auditor presented the above-referenced report reflecting activities that were completed or begun since the prior ABAC meeting.

Mr. Salver inquired about a discussion that transpired last year relating to hiring additional staff for OMCA and asked for an update of such discussion.

Mr. Montes de Oca explained that since that discussion he has filled two positions one for charter school audits and the other one for audits related to the General Obligation Bond expenditures.

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

OLD BUSINESS:

9. Presentation on Property Tax Collection Shortfalls

Mr. Leonardo Fernandez, Treasurer made a presentation about the negative impact that the backlog of property tax appeals has on the revenues for M-DCPS. He explained that the district is seeking relief from the legislature, which will require agents to obtain approval from property owners on whose behalf the appeals are being filed. Mr. Fernandez also explained how the backlog turns the shortfall into a two-year period and noted that his office is reviewing a large volume of data regarding these appeals, which was obtained from the county pursuant to a public records request.

This presentation triggered substantial conversation during which Committee members expressed serious concerns about the severe, negative financial impact this backlog is having on M-DCPS' revenues and what can be done to remedy this situation.

Mr. Salver asked for clarification on the requirement that property owners pay at least 75% of the assessed taxes, while they are on appeal.

Addressing Mr. Salver's question, the Superintendent explained that the legislature adds a small levy to the tax rolls every year to recoup the taxes that are not being collected (the remaining 25% of the tax bill) from all taxpayers. Mr. Carvalho emphasized that taxpayers who pay their bills on time are in essence being penalized by the increased levy. He also explained that because the school district's fiscal year ends on June 30, whereas the county ends on September 30, and the tax rolls are completed accordingly, the district is forced to complete and present its budget to the School Board without the benefit of knowing how much revenue is anticipated and this situation is exacerbated by the shortfall created by the backlog of appeals.

The Superintendent concluded that he is seeking solutions at the state level such as requiring notification by agents to property owners, prior to the appeals being filed and locally by expediting the resolution of appealed cases.

Ms. Hantman pointed out the required payment of 12% interest rate that has to be paid by the district on overpaid taxes as a result of reduced assessed values by the Value Assessment Board (VAB), is a significant part of the shortfall.

Mr. Carvalho concurred with Ms. Hantman's statement and observed that out of the potential \$60 million shortfall, the interest payments account for approximately \$8 million.

Mr. Thornburg suggested exploring the advocacy of the PTA because he believes it will aid.

Mr. Carvalho concurred with Mr. Thornburg's suggestion.

Ms. Regalado spoke about the resolutions being discussed, but said that although she believes raising the filing fees will not work, she is in agreement with the idea of correcting the issue regarding the duplication of appeals.

Dr. Feldman made a comment about how the communities should be made aware of the financial troubles that affect the District. He suggested conducting meetings similar to those the Superintendent conducted in the past, related to the community meetings on the General Obligation Bond.

After a lengthy discussion, Mr. Carvalho assured the Committee that all parties involved are aware of the issues and have committed their assistance in securing a resolution.

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

10. Response to inquiry regarding merging Magnet Educational Choice Association, Inc. (MECA) with the New Education Initiatives (Foundation)

Mr. Montes de Oca introduced the topic and noted that this report was an inquiry made at the last ABAC meeting.

Dr. Sylvia Diaz, Assistant Superintendent, presented the report and explained that after consulting with the administration in charge of the above-mentioned entities their recommendation was not to merge at this time because of a myriad of reasons, with the understanding that the issue will be assessed again at a later date.

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

New Business:

Mr. Norwood expressed deep reservations about the governance of charter schools, particularly the participation of some governing members in various other governing boards.

Mr. Harvey provided an explanation of the Internal Revenue Service requirements regarding not-for-profit entities, which encompass charter schools.

Committee members asked Mr. Norwood to work with Mr. Harvey and Mr. Montes de Oca to formulate his concerns and bring them back to the Committee at its next meeting.

Unfinished Business:

Mr. McGhee reminded the Committee that this item (unfinished business) was a suggestion made by Mr. Thornburg to be included on the ABAC's agenda going forward as to topics that were not fully resolved, and to keep track of them until they are satisfactorily addressed.

Friends' of WLRN 990 Forms for the Past Three Years and Current Year

Mr. Carvalho briefed the Committee on the upcoming matters he will be working on with Friends of WLRN (Friends) and announced that among those is the issue of an operating agreement and the restoration of all his previously granted powers.

Mr. Thornburg stated that he is aware that the 990 forms for Friends of WLRN for the current year have not been filed and asked when they will receive the forms for the past three years, as previously requested.

Mr. Montes de Oca responded that he intended to provide the forms for the past three as he promised at the January ABAC meeting, but later found out that an extension had been filed and the current 990 form will not be filed until May 15, 2014. He decided to bring all of them to the May ABAC meeting. He then said he would provide the forms which are available to the Committee electronically.

Members agreed to receive the past two years of the 990's that are complete and receive the current when it has been filed.

Ms. Hantman registered dissatisfaction with the meetings for the Governing Board of Friends of WLRN (whose support is for an entity located in Miami-Dade County) being held in Broward County, as opposed to Miami-Dade County, because the inconvenience it presents to persons who may want to attend.

Magnet Program –Consider Renaming it Choice or merging it with Schools of Choice (Pending)

Mr. Montes de Oca reminded the Committee that the Superintendent had committed to researching this recommendation, but warned that there may be some issues that are beyond the District's ability to merge the programs. Mr. Carvalho promised to provide a full report once he has made a full assessment.

Audit of Keys Gate Charter High School (To Be Determined)

Mr. Montes de Oca reminded the committee about the limited staff he has and explained that although he has a full-time auditor for charter schools, it is still a challenge to complete the reviews of 120 financial statements on time. He also stated that he has to comply with his audit plan that includes an audit about nesting of funds for charter schools, which has not yet been conducted.. He believes that the nesting audit should be conducted before the audit of Keys Gate since time is not of the essence for the latter.

Also related to charter schools, there was substantial discussion regarding the fact that courses taken by high school students at non-accredited colleges cannot be transferred to accredited colleges nor can they be used as credit for high school graduation.

Dr. Feldman asked, and the rest of the Committee member concurred, that the District administration in conjunction with the School Board Attorney develop language to be incorporated into the charter school contracts that would require charter schools to notify their students about the consequences of taking classes at non-accredited colleges, as had been discussed.

Mr. Salver suggested, and the rest of the members agreed, that because there was no item on the Committee agenda related to this discussion, that the requested language be brought back to the Committee at its next meeting for formal adoption.

Mr. Rasco stated that since the Committee had not met since the Superintendent received the National Superintendent of the Year Award, he proudly congratulated Mr. Carvalho for this distinguished award and the School Board for selecting and supporting him throughout his tenure.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Rayfield McGhee at 2:37 p.m.

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