

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

March 7, 2017

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, March 7, 2017, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Erick Wendelken, CPA, Vice-Chair
Mr. Rudy Rodriguez, CPA, Chair Pro Tem
Ms. Mari Tere Rojas, School Board Member
Mr. Juan del Busto
Mr. Jeffrey Codallo
Ms. Susan Marie Kairalla
Dr. Nancy Lawther, Alternate
Mr. Albert D. Lopez, CPA
Mr. Julio C. Miranda, CPA, CFE
Mr. Christopher Norwood, J.D.
Mr. Isaac Salver, CPA

Members Absent:

Mr. Rayfield McGhee, Jr., Esq., Chair
Mr. Alvin L. Gainey, PTA/PTSA President

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer

Call to Order

The ABAC's Vice-Chair, Mr. Erick Wendelken called the meeting to order at 12:34 p.m.

1. Welcome and Introductions

The Vice-Chair requested all in attendance to introduce themselves, which they did. The following persons were present:

Dr. Lawrence S. Feldman, School Board Chair	Ms. Daisy Gonzalez-Diego, Chief Communications Officer
Dr. Marta Perez, School Board Vice Chair	Mr. José F. Montes de Oca, Chief Auditor
Ms. Susie V. Castillo, School Board Member	Mr. Michael Fox, Risk and Benefits Officer
Dr. Steve Gallon III, School Board Member	Ms. Tabitha G. Fazzino, District Compliance Officer
Ms. Perla Tabares Hantman, School Board Member	Ms. Connie Pou, Controller
Dr. Martin Karp, School Board Member	Dr. Magaly C. Abrahante, Assistant Superintendent
Mr. Alberto M. Carvalho, Superintendent	Mr. Steffond L. Cone, Assistant Superintendent
Mr. Walter J. Harvey, School Board Attorney	Ms. Tiffanie Pauline, Assistant Superintendent
Dr. Dan Tosado, Chief of Staff	Ms. Maria T. Gonzalez, Assistant Chief Auditor
Mr. Luis M. Garcia, Deputy SB Attorney	Mr. Trevor L. Williams, Assistant Chief Auditor
Mrs. Valtena G. Brown, Dep. Supt./Chief Operating Officer	Ms. Daisy Naya, Assistant Controller

Minutes of the School Board Audit and Budget Advisory Committee

March 7, 2017

Page 2 of 17

Ms. Mindy McNichols, Assistant School Board Attorney

Ms. Barbara Mendizábal, Region Superintendent

Dr. Albert Payne, Region Superintendent

Ms. Gisela Feild, Administrative Director

Mr. Edgardo L. Reyes, Administrative Director

Mr. Luis Baluja, Executive Director

Mr. Jon Goodman, Executive Audit Director

Mr. Ivo Gomez, Claims Compliance Officer

Mr. Eugene Baker, District Director

Ms. Tamara Wain, District Supervisor

Mr. Edward McAuliff, Chief Info. Security Officer

Ms. Michelle Denis, Fiscal Supervisor

Mr. Richard Yanez, Audit Director

Ms. Teresita Rodriguez, Audit Manager

Ms. Elvira Sanchez, Audit Coordinator

Mr. Michael Hernandez, Audit Specialist

Ms. Jenny Priante, Staff Auditor

Ms. Andreina Espina, Chief of Staff

Ms. Jackeline Fals, Chief of Staff

Ms. Viviana Jordan, Chief of Staff

Ms. Jennifer Rojo Suarez, Chief of Staff

Ms. Francys Vallecillo, Chief of Staff

Mr. Nelson Diaz, Administrative Assistant

Ms. Desiree Llopiz, Administrative Assistant

Ms. Gina Miles, Administrative Assistant

Mr. Matthew Tisdol, Administrative Assistant

Ms. Natalie Perez, Sr. Administrative Assistant

Ms. Elsa Berrios-Montijo, Staff Assistant

Ms. Latisha Green, Administrative Assistant

Ms. Marlow Sears, District Administrative Assistant

Mr. John Labonia, General Manager, WLRN

Mr. Felix Jimenez, Assistant Inspector General

Mr. Thomas Knigge, Supervisor Special Agent

Ms. Cynthia Borders-Byrd, Partner, C Borders-Byrd, CPA LLC

Mr. Michael Jalali, Executive Director, Friends of WLRN

Ms. Marta Alfonso, Morrison, Brown, Argiz & Farra, LLC

Mr. Carlos Trueba, Rodriguez, Trueba & Co.

Mr. Gerry Donates, Rodriguez, Trueba & Co.

Mr. Joseph L. Raia, Counsel, Mater Academy Inc.

Mr. Kevin Adderley, The Sharpton Group

Mr. Jose M. Iglesias, HLB Gravier LLP

Mr. Angelo Rolle, HLB Gravier LLP

Mr. Donovan Maginley, Partner, RSM US LLP

Mr. Hunt Davis, Board Member, Doctors Charter School

Dr. Kelly Andrews, Executive Director, Doctors Charter Sch

Ms. Katherine Borges, Director of Finance, Doctors Charter

Ms. Christy Berry-Wilson, Director, Richmond-Perrine Opt.

Mr. J.C. Quintana, Partner, SMART Management

Ms. Jeannette Merced, VP of Finance, Charter Sch. Assoc.

Ms. Ana Martinez, CFO, Academica

Mr. Dan Ricker, Watchdog Report

Ms. Lauren Kairalla, Visitor

Mr. Wendelken recognized Dr. Nancy Lawther as the newly appointed ABAC alternate member by Mr. Alvin Gainey, PTA/PTSA President. Dr. Lawther said that she is delighted to be part of the Committee and is looking forward to working with its members.

Thereafter, Mr. Wendelken asked for a moment of silence for the recent passing of Mr. McGhee's father, which is the reason for Mr. McGhee's absence.

Ms. Susan Kairalla recognized the great loss of one of the school district's heroes, Ms. Betsy Kaplan, a former School Board member.

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee (ABAC or Committee) Meeting of December 6, 2016

The Chair drew the members' attention to the minutes for the ABAC meeting of December 6, 2016, and asked whether any members had suggested revisions or questions related to the contents of the proposed minutes.

There being no questions or comments, a motion was made by Ms. Kairalla and seconded by Mr. Lopez, for approval of the minutes to serve as the memorialization of the December 6, 2016, ABAC meeting. The motion carried unanimously.

Mr. Wendelken recognized a request by School Board Vice Chair, Dr. Marta Pérez, to move up Item (b) under "Old Business"- *Status of the Audit of WLRN Television and Radio Stations for Fiscal Year Ended June 30, 2016* to the top of the agenda.

A motion was made by Ms. Kairalla, seconded by Dr. Lawther, which carried unanimously, to accept Item (b) "Old business" - *Status of the Audit of WLRN Television and Radio Stations for Fiscal Year Ended June 30, 2016* to be moved up to the top of the agenda.

Mr. Wendelken informed the Committee that he had to recuse himself from participation in any discussion related to this item, since he is a Principal at Morrison, Brown, Argiz & Farra, LLC (MBAF), the accounting firm that performed the forensic audit of Friends of WLRN.

In light of the fact that the ABAC Chair was absent and the Vice chair had a conflict of interest, Mr. Montes de Oca explained that an election of a Chair Pro Tem by committee members needed to take place. Mr. Lopez nominated Mr. Rudy Rodriguez and Dr. Lawther seconded the nomination, which carried unanimously.

**Old Business Item (b) Status of the Audit of WLRN Television and Radio Stations
for Fiscal Year Ended June 30, 2016**

Mr. Rodriguez brought the item up for discussion and yielded the floor for any questions or comments.

Mr. Montes de Oca pointed out the two basic issues that are involved with this item. First, the status of the audit of WLRN. Second, the operating agreement between Friends of WLRN (Friends) and the District administration, which has not been signed. He explained the delays regarding the audit, which required two extensions to the audit report's submission deadline (previously granted by the Corporation for Public Broadcasting [CPB]); and emphasized the unsuccessful efforts that transpired for several months to obtain the certified financial statements of Friends, needed to prepare this audit, and which Friends has not provided. He also observed that during a telephone conference with members of CPB and Friends and the School Board Attorney, for the purpose of requesting a third extension to the deadline. He announced that the extension was denied and that this delay will generate daily penalties. Mr. Montes de Oca noted that during this conference he learned from representatives of Friends that the CFO of Friends had overstated contributions to the TV Station by more than \$9 million; and explained that as a result of these issues having being made known to CPB, they have decided to initiate an audit of WLRN to be conducted by their Inspector General. He then provided an extensive chronology of events related to interactions with Friends of WLRN and asked Mr. Harvey if there were any other issues that should be addressed.

Mr. Harvey explained that the documents Mr. Montes de Oca forwarded to the committee are a matter of public record and have been forwarded to the Friends of WLRN auditor and to the School Board. However, he indicated that there will be some communication transmitted to the School Board and staff before the audit commences, and cautioned School Board members to limit their public comments while the audit is being conducted.

Ms. Rojas asked if she can discuss any information that she has obtained from Miami Herald articles or elsewhere. Mr. Harvey responded in the affirmative.

The Superintendent spoke at length about the events that had transpired over the last few weeks and reached an apex this past August, as well as corollary issues dating back seven to nine years regarding the evolution of Friends. His explanations covered the change to the bylaws of Friends and the removal of the School Board's seat from the Board of Friends, which took place years ago, without knowledge of the School Board (the seat has subsequently been restored). He also explained the matter of the recent discovery of *South Florida Public Media*, an entity that was formed by Friends during the time that the School Board was not represented at Friends' Board meetings. This entity was formed to hire news staff under the umbrella of WLRN; however, its formation was unbeknownst to the District until discovered when several articles published by an individual hired by that entity surfaced. Mr. Carvalho was outraged that the former CFO of Friends had shifted the value of the underwriting from Radio to TV to generate more funding, since ultimately this matter will

reflect negatively on the School Board. The Superintendent stated that his intent is to continue WLRN's independent reporting, and to restore transparent controls over the District's financial responsibility regarding the station.

Mr. Carvalho assumed partial responsibility for developing the first draft of the operational agreement and sending it. This agreement was a reflection of years of frustration, disappointment, lies and deceit and he noted that it was 10 years of a sour relationship that hinged on opaque transactions. Mr. Carvalho remarked that there was never an interest in becoming the hiring or supervising entity for the journalists.

Mr. Rodriguez asked Mr. Montes de Oca whether there has been any communication related to a timeframe to obtain the allocation of underwriting revenue and financial statements from Friends.

Mr. Montes de Oca reiterated what Mr. Carvalho had previously indicated, that up-to-date attempts to obtain the 2016 financials have been unsuccessful, and yielded the floor to the representative from Friends to answer questions that had been posed.

Mr. Michael Jalali, Executive Director of Friends, lamented what has transpired and assured everyone that under the leadership of the current board and his direction, it has always been his intent to be transparent and have an appropriate operating agreement. With regards to this year's financials, he stated that they have shared the draft of the audited financials with CPB and will be happy to share them with Ms. Cynthia Borders-Byrd (the external auditor engaged to perform the audit of WLRN) this afternoon. However, he indicated that the audit could not be finalized until the Inspector General for CPB completes the investigative audit.

For the record, Mr. Carvalho asked Ms. Borders and Mr. Montes de Oca whether the statements he made earlier regarding Friends were accurate. Ms. Borders and Mr. Montes de Oca both responded yes. In addition, Mr. Carvalho expressed his dissatisfaction with Mr. Jalali's comment stating that the 2016 audited financials will not be finalized until the investigative audit has been completed.

Mr. Rodriguez commented that because of the delay the penalties will continue to accrue. In addition, he asked whether Friends has an endowment fund to pay for the noted penalties or whether it will come out of the allocations which they provide.

Mr. Jalali declared that they have an endowment fund to cover the penalties that have been attributed to Friends' mistake.

Mr. Salver requested to hear from Ms. Marta Alfonso, Principal at Morrison, Brown, Argiz & Farra LLC, the signer of the forensic audit report (which was part of the package supporting the agenda item) about the results of the audit.

Ms. Alfonso provided a summary of the scope of the review and the results of the analysis. She noted that the audit ultimately disclosed the intentional misreporting involving the underwriting revenue allocations for the TV and radio stations and the fact that the misreporting took place for several years.

Mr. Carvalho pointed out that the above-mentioned document had not been shared with M-DCPS and ABAC previous to this meeting.

Ms. Borders expressed concern about the scope of the financial report that the firm hired by Friends was preparing being limited to 2016, since 2015 is also part of the report to CPB. Consequently, it would not provide a full picture of the financial information that she needs in order to perform the audit of WLRN TV-Radio.

Mr. del Busto strongly expressed his dissatisfaction and frustration and insisted that there is fraud involved in this case and that the School Board should take swift and immediate legal action against those involved.

The Superintendent pointed out that School Board Policy requires that fraudulent matters be referred to the School Board's Inspector General and he has done that.

Mr. Salver referred to attachment 22 of the chronology and asked who prepared the schedule and requested an explanation of the schedule.

Mr. Montes de Oca explained that as stated in the document, it was prepared by Friends of WLRN, Inc. and pointed out that the schedule shows the amounts misreported (column 4 Revised TV/Radio of both sides of the schedule) and the amounts overstated (column 6 Total Difference of both sides of the schedule).

Mr. Salver noted that although it appears that the total numbers for Friends were audited the schedule was not. Mr. Salver then asked who audited these numbers.

Mr. Jalali explained that the total numbers were audited, but split numbers reported on the schedule were not audited and the CFO for Friends used the split, which he arbitrarily established, to report the contribution numbers. He then indicated that Marcum LLP was the auditor.

Mr. Carvalho reiterated his concern that the audit finding resulting from the misreporting by Friends of WLRN will ultimately be the responsibility of the School Board.

Ms. Rojas made the several statements and inquiries relating to her concerns as well as the concerns shared by her constituents. She declared that as the School Board appointee to the Committee, she first observed that the School Board has always been very supportive of the mission of WLRN, as stated in School Board Policy 0172, which is to provide educational services information and entertainment to the South Florida community through the highest quality television and radio programming's innovative communication technology. She thanked Ms. Perla Tabares Hantman for having the vision to promulgate this school board policy on August 22, 2001, when Ms. Hantman brought an agenda item to the Board. Secondly, as delineated in the document *Editorial Integrity Policy Advisory Mechanisms for WLRN Public Television and Radio*, which is incorporated by reference in School Board Policy 0172, public broadcasting stations are subject to a variety of statutory and regulatory requirements and restrictions including federal statutes. Public broadcasting, she added, is also clothed with the mantle of the first amendment's protection of free press and freedom of speech, and as trustees, we must be sure that these responsibilities are met. In order to do

so, she continued, it requires us to understand the legal and constitutional framework within which our stations operate to inform and educate those whose positions or influence may affect the operations of our life. Thirdly, Ms. Rojas stated, there is clear language which also stipulates that public broadcasting depends upon funds provided by individual and corporate contributions, by local, state and federal taxes. Therefore, trustees must maintain policies which can assure the public that these funds are properly spent. Ms. Rojas thanked Dr. Feldman for his continued demands to have the operating agreement finalized. She stressed that although she has not been a School Board member for very long, she knows that the School Board will always protect the right, given to all American's under the first amendment, of freedom of speech and freedom of the press. Ms. Rojas also noted that the School Board has a constitutional right to ensure that sound, fiscal management practices are implemented and monitored, and appropriate action taken when it is deemed necessary. Ms. Rojas concluded by observing that transparency is essential for ensuring a proactive working relationship, and expressed confidence in that the Superintendent and friends of WLRN would want to do what is right and reach agreement on this issue.

Ms. Rojas then made reference to media articles related to programming decisions and the establishment of South Florida Public Media, a non-profit, entity, which according to the articles, was created by Friends in 2006. She inquired as to why the School Board had not been informed about the establishment of this entity and whether it was noted in any audit.

Mr. Montes de Oca responded that he could address the part about the audit, noting that the district hires an independent auditor to conduct that audit and certify the financial statements. He noted that the district relies on that certification, as to the accuracy of those financial statements that are forwarded to CPB.

Mr. Carvalho addressed Ms. Rojas' concerns by responding that since becoming Superintendent in 2008, neither he nor Mrs. Marte was ever advised of the creation of this not-for-profit entity under Friends of WLRN and at no point were they advised of the change of the mission or vision of Friends; or that there would be an alternate hiring process. The Superintendent then provided a brief history of how these changes and how some of these issues came to light when the current external auditor for WLRN was hired by M-DCPS and started asking questions.

Ms. Rojas asked who was the Superintendent during that time of change, and Mr. Carvalho responded that it was Mr. Merrett Stierheim.

Ms. Rojas then asked several more questions regarding School Board members being made aware of the issues involved as employees of South Florida Public Media working at WLRN not being fingerprinted or drug tested, and large salaries paid to employees of Friends. The Superintendent, the School Board Attorney and the Chief Auditor addressed her questions, noting that School Board members were not aware of these issues as they were taking place.

Ms. Rojas addressed another article published by the Miami Herald which involved a comment from Ms. Gonzalez-Diego, Chief Communications Officer. In that article, Chief Communications Officer states that "we have never meddled in anything with WLRN and did not realize that South Florida Public Media was being funded by Friends, as an organization we've had a few issues in the past". Ms. Rojas thanked Ms. Gonzalez-Diego for bringing this

issue into the limelight. However, she noted that if there were issues in the past with Friends, how is it possible that it was not known that South Florida Public Media was being funded by Friends and being in operation for over 10 years? She then asked Mr. Montes de Oca for clarification.

Mr. Montes de Oca reiterated that the district hires an independent auditor to conduct that audit and those certified financial statements are forwarded to CPB. The District, he asserted, relies on that certification as to the accuracy of those financial statements. Ms. Rojas again noted that if there were issues with the financial records before, it means that someone was cognizant to some degree. Mr. Montes de Oca stated that he believes the issues that were mentioned had to do with the operating agreement, and not with the financial statements.

Ms. Hantman expressed her dissatisfaction with the fact that the School Board was never informed that the operating agreement had not been signed. She also pointed out the numerous times she inquired as to whether the operating agreement had been signed and was not informed that it had never been signed.

Mr. Harvey explained that he had researched the matter and realized that the operating agreement had not been signed and gave notice to the School Board in 2014 (actually, this issue was last discussed at the ABAC in 2011).

Ms. Hantman said that she had inquired about the agreement not being signed in May of 2011 where she voiced her disappointment, and not in 2014. She continued to express her frustration with being kept in the dark also with many issues surrounding this and other topics.

Mr. Salver commented that this discussion item had gone completely off-track and dominated by staff and School Board members, and had become an adhoc meeting for the School Board. He emphasized that this discussion would be more appropriate at a meeting of the School Board itself, and stated that there are very important issues that are being discussed here, but typically, they are more defined and focused. He lamented the use of an hour and 45 minutes of the Audit Committee's time to discuss this one issue, which was a non-action item placed at end of our agenda, and stated that it was disingenuous. He suggested to the Chair Pro Tem to wrap up the discussion on this item and either send it back to the School Board in its entirety or bring it back to the Committee to discuss specific matters.

The Chair Pro Tem took Mr. Salver's comments into consideration and asked the speakers to be brief and conclude their remarks. He indicated that, although he tends to agree with Mr. Salver, he also understands the position that the School Board members and the Superintendent are in regarding this topic.

Ms. Hantman addressed Mr. Salver's comments noting that he has always had an issue with the School Board members sitting at the table. However, she noted that this issue is very important to the School Board. Ms. Hantman reiterated that Mr. Salver has problems with School Board members' participation in the ABAC discussions, but they constitute School Board matters and they have to deal with this issue.

Mr. Salver said he does not have a problem with School Board members, he respects and likes them all and indicated that this is a procedural matter.

Mr. Lopez made some observations regarding audit procedures, noting that typically audit firms will not issue an audit if there is a pending investigation. He also noted that there is enough information to identify fraud and asked what is the District's position and how will they limit the liability.

Mr. Carvalho explained that pursuant to School Board policy, if there is the possibility of fraud, the policy dictates that the case be referred to the Office of the Inspector General for the school system which he has done. He noted that the Inspector General for CPB is investigating this issue.

Mr. del Busto voiced a strong sentiment that swift and legal action be taken as soon as possible.

Dr. Gallon asked for clarification regarding the authority of the Committee and the School Board, and agreed with other School Board members present that they must be engaged at this table, because after any recommendations are made or actions are taken by this Committee, the Board is ultimately accountable and that responsibility will not be abdicated under any circumstances.

Mr. Harvey responded that the ABAC is an advisory committee to the School Board and its authority is to review financial information and make recommendations and transmit them to the School Board. Furthermore, he noted that the ultimate and only authority to file a lawsuit stems from the School Board.

Mr. Rodriguez asked if consideration could be given to change this item from an informational item to an action item.

Mr. Harvey explained that it would be appropriate to make a motion and transmit the item to the School Board as a recommendation for its consideration.

Mr. Rodriguez opened the floor for final comments before they address the motion.

School Board member, Ms. Susie Castillo, thanked the ABAC Members for their work as volunteers and noted that if the Committee decides not to move forward on recommending legal action, she is requesting a letter from the School Board Attorney's Office addressing recommendations on how to pursue legal action.

Mr. Norwood explained that during his review of WLRN, he learned that the School Board has owned the station's license since 1948 and that Friends of WLRN was created in 1974 and that until the 2000's everything was operating appropriately. But in his opinion, the President of Friends of WLRN went rogue and the entity began to operate as if it owned the public assets and was deciding how and when to report. He believes that the governance of the organization has veered from being a public asset owned by the school district, to somehow a board operating at some level of secrecy, with the minutes not being available and even created another organization. However, he noted that ultimately the license

belongs to the School Board of Miami-Dade County, which is a public entity. Mr. Norwood stated that the School Board of Miami-Dade County may be responsible for the \$900,000 penalty and questioned the need for the existence of Friends.

Ms. Rojas made the following comments for the record: First and foremost, she wanted to clarify that as a School Board member who sits on the Audit and Budget Advisory Committee, representing the School Board, she takes her job very seriously, and she does her due diligence. Second, that the articles that she has quoted were in the newspaper and that no one has provided her any articles. Third, she then said that she has done a lot of research, not only with the newspaper articles, but with every document that staff has provided to the School Board. Ms. Rojas added that since the School Board holds the station's license, the School Board is responsible for the \$900,000 penalty that is owed and perhaps more. Hence, there cannot be a limit to the questions School Board members ask and the audit committee is the body to express these concerns. Therefore, although she respects Mr. Salver's opinion, she does not concur.

After some discussion, a motion was made by Mr. Lopez and seconded by Mr. del Busto, (seven yeas and two nays) to change Agenda Item "(b)" under "Old Business", addressing the Status of the Audit of WLRN Television and Radio Stations for Fiscal Year Ended June 30, 2016, from an informational item to an action item (the motion was approved on a seven to two vote).

After a lengthy discussion about the action that should be taken to resolve this matter, a motion was made by Mr. del Busto and seconded by Mr. Lopez, for the School Board of Miami-Dade County to take immediate and distinctive legal action against all entities associated with Friends of WLRN or its subcontractors or affiliates to get this matter resolved.

Mr. Salver said that he will vote against the motion, because he does not agree with the phrase "legal action". He prefers for it to be stated as "school board action".

Dr. Feldman offered a friendly amendment to the motion, 'that the Board Attorney provide all possible options that would be available to the School Board to take appropriate action.' The motion was unanimously approved.

Dr. Feldman thanked Ms. Cynthia Borders-Byrd for being the first person in eight years to request for the split schedule to be certified, which brought this particular matter to light, and he appreciates that the Superintendent referred this matter to the Inspector General.

Mr. Carvalho assured the audience that he will continue to seek a resolution that guarantees independent journalism coming out of WLRN without any interference, as required by the Integrity Policy, and that the station operates at the highest level of the expectation of our community, independently from whatever investigation takes place.

AUDIT REPORTS:

3. Internal Audit Report – Selected Schools/Centers

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, introduced the above-mentioned audit and noted that the report contains the results of 73 audits, seven of which had findings. Additionally, the report also includes the result of property audits which were satisfactory, except for a few schools.

Mr. Wendelken inquired about the repeated findings at Miami Northwestern Senior High School and noted that he does not foresee improvements.

Mrs. Valtena Brown, Deputy Superintendent/Chief Operating Officer, School Operations, expressed her concern about the findings and explained how School Operations is tirelessly working to address all the issues at hand.

Ms. Kairalla commented that while visiting Miami Northwestern Senior High School, she encountered the enormous program during the night school and believes that the workload cannot be achieved without an experienced treasurer, earning an appropriate salary, to be able to accomplish the tasks successfully.

Ms. Rojas commended Mrs. Brown, staff at the regions, and principals for all their efforts in achieving success in the schools. However, she commented on the inconsistent practice of pairing the financially deficient schools.

Dr. Gallon gave a brief background of his experience during his seven-year tenure as Principal at Miami Northwestern Senior High School. He explained that understanding the challenges the schools have with academic fragility, they have made efforts to support these schools. Miami Northwestern is in a perpetual fragile state as it relates to its organization's finances. He shares the sentiments of the ABAC relating to the capacity of the individuals that will be assuming these duties and responsibilities. He noted that he was fortunate to have had a business manager assuming the duties. He expressed his concern with schools, in respect to support and continuity. He then said that Miami Northwestern has had four treasurers in a span of five to six years and pointed out that continuity is very critical. He asked if the Money Matters Program is still being implemented.

Mrs. Brown responded that the Money Matters Program was revamped with the assistance of the Office of Management and Compliance Audits. She explained that they review the findings identified in the audit reports and incorporate those topics into the Money Matters workshop. During several discussions with Ms. Maria T. Gonzalez, Mrs. Brown indicated that they are contemplating reviewing the model of the Business Manager duties to use as a tool for these large schools with a lot of activities.

Dr. Gallon observed that most of the schools noted in the report with findings were also academically fragile and pointed out that these schools should have additional support.

Mr. Norwood inquired about whether the academic achievement of a school should be part of the audit.

Mr. Montes de Oca responded that the scope of the school audit only addresses the financial side of operations.

Mr. Lopez asked what is the procedure in the case where monies are determined missing and an individual retires.

Mr. Montes de Oca responded that in these cases they scrutinize the individual's financials closer than usual.

Dr. Gallon referenced School Board Policy 6320.02, *Small/Micro and Minority/Women-Owned Business Enterprise Programs* and asked what is being done as it relates to the policy's implementation and monitoring its enforcement.

Mr. Montes de Oca explained why and when schools are cited for not complying with disbursements relating to the selection of Minority/Women Business Enterprise vendors. He then stated that the auditor selects purchases that require competitive selection of vendors and ascertain whether documentation is available to support whether consideration was given to select a minority vendor.

Mr. Carvalho noted that he was the author of the Small/Micro and Minority/Women-Owned Business Enterprise Programs policy and shared the importance that this policy has for him, which is the reason he asked the Chief Auditor to include compliance with it in the scope of his audits.

Ms. Kairalla welcomed Dr. Gallon and expressed her satisfaction with him being part of the School Board, bringing the experience he has as a former principal.

There being no further questions or comments, a motion was made by Ms. Kairalla and seconded by Mr. del Busto, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers** to be received and filed by the School Board.

4. Internal Audit Report – Audit of Inventories as of June 30, 2016

Mr. Montes de Oca introduced the above-mentioned report and noted that this is an annual audit, which consists of auditing the inventory balances to assist the external auditors in establishing the validity of the inventory amounts at year end. He then yielded the floor to Mr. Williams to briefly introduce the report.

Mr. Trevor L. Williams, Assistant Chief Auditor, District Audits, explained that the purpose of this audit is to validate the inventory balances that are reported in the unaudited Annual Financial Report. He was pleased to report that those balances were stated correctly; however, there were some issues noted during the audit which dealt with management's reconciliation of certain account balances. In addition, Mr. Williams noted that the recommendations included in the report were properly addressed. He thanked management for their cooperation and attention in addressing these issues.

There being no comments or questions, a motion was made by Mr. del Busto, and seconded by Dr. Lawther, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Inventories as of June 30, 2016**, be received and filed by the School Board.

5. Internal Audit Report – Audit of ESE & Risk Benefits (IDEA & HIPAA) Compliance

Mr. Montes de Oca briefly introduced the item and indicated that Mr. Williams will present the item.

Mr. Williams explained that the scope of the audit was to assess the extent of compliance with relevant provisions of the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule and Individuals with Disabilities Education Act (IDEA) Confidentiality requirements, pertaining to the collection and storage of protected information, i.e., Protected Health Information (PHI) and Personally Identifiable Information (PII), by various School district departments. Additionally, Mr. Williams noted that the audit concluded that the controls over this sensitive information are adequate. However, the audit identified some areas of exposure, including students' and parents' Social Security numbers that are maintained in the students' cumulative files, which the administration is addressing.

Dr. Lawther indicated that since the Florida Department of Education (FLDOE) had been cited, she asked whether FLDOE had been notified.

Mr. Williams responded that management is responsible for notifying the FLDOE, and he does not know if the notification was given.

Mr. Wendelken asked if Social Security numbers could be removed from student records. Mr. Williams indicated that legislation has enacted a provision to use an alternate identification number instead of a Social Security number and noted that the district has moved away from collecting students' Social Security numbers.

Dr. Gallon referred to page 11 of the report and asked for clarification on the statement of the "trigger of action" being too high to commence the mitigation process when a breach has occurred.

Mr. Williams responded that pursuant to School Board Policy 8351, *Electronic Data Security Breach Notice Requirements*, the Superintendent is designated to give notification of a known breach; however, since the breaches occur locally, it would be more effective if the mitigation of the breach commences within each district department and works its way up to the higher level.

Dr. Gallon also referred to pages 13 and 14 of the report. He asked about the Board-Approved Comprehensive Identity Protection Plan, as it relates to several gaps in the implementation of some parts of the Plan dealing with the awareness in education and prevention of identity theft and asked what efforts are being put in place to satisfy these very important areas.

Ms. Gisela Feild, Administrative Director, explained that Information Technology Services (ITS) has taken steps to remove all Social Security numbers from any reports sent home or that appear on the portal. Additionally, the Student Emergency Contact card has been revised to satisfy the removal of the student and parent's Social Security numbers.

Dr. Gallon thanked Ms. Feild for her explanation, which satisfied the online concerns; however, he commented that the Student Emergency Contact cards remain in the cumulative student folder for past years. Ms. Feild deferred the question to School Operations (Weekly Briefing #20633, dated 1/23/17 addressed this issue).

Dr. Gallon inquired whether the Public Service Announcement (PSA) script, as noted on page 16 of the report, related to making parents aware of how to reduce the possibility of their child becoming a victim of identity theft, which was scheduled to appear on Miami-Dade Schools Police website by January 21, 2017, has been completed (the current Website address this issue).

Ms. Rojas also inquired about the PSA script and asked whether the script will be available in multiple languages (English, Spanish, and Creole) (the website is currently available in all these languages).

Mr. Carvalho responded that he will research both and let them know (refer to notes in parentheses above).

There being no further questions or comments, a motion was made by Mr. Wendelken and seconded by Ms. Kairalla, which carried unanimously, to recommend that the **Internal Audit Report – Audit of ESE & Risk Benefits (IDEA & HIPAA) Compliance** to be received and filed by the School Board.

OTHER REPORTS:

6. Monthly Financial Report Unaudited – For the Period Ending December 2016

Mr. Montes de Oca explained that these reports are presented at every ABAC Committee meeting to keep its members apprised as to how the District is doing financially and then yielded the floor to Mrs. Marte for any questions.

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

7. Presentation for 57 of 125 Charter Schools Audited Financial Statements and Three (3) Community Based-Organizations FYE June 30, 2016

Mr. Jon Goodman, Executive Audit Director, introduced the above-mentioned item and opened the floor for questions.

Ms. Rojas referred to the bottom of page 2, relating to the seven schools that advanced/transferred funds to their parent corporate account in the amount of over \$6 million and asked if he foresees any problem with this type of action.

Mr. Montes de Oca responded that as stated in the transmittal letter of this item, OMCA will continue to follow up on the use of those funds and keep the ABAC informed. Additionally, he referred to the footnote on page 4, where he pointed out that the outstanding out-of-county loans discussed at the December 6, 2016, ABAC meeting, have been partially repaid and are current.

Mr. Rodriguez commented that he was pleased to see an improvement from the number of schools, wherein only five schools were in a deficit and that they are not in a state of financial emergency.

Mr. Lopez inquired about the difference between the net position and the fund balance of a charter school. Mr. Goodman explained that they both represent the net worth or equity position of the school, but that the net position is based on entity-wide, full accrual accounting, in accordance with GASB Standard 34 and the fund balance is determined using fund accounting.

Dr. Lawther inquired as to the source of the \$6.5 million that had been advanced/transferred to the parent corporate account. Mr. Goodman responded that virtually all of it derives from public tax dollars, and pointed out that charter schools are funded with local, State and Federal tax dollars.

Following Mr. Goodman's comments, Mr. Montes de Oca pointed out that for this very reason, the ABAC and School Board were extremely concerned with these advances/transfers in past discussions at the ABAC meetings.

Mr. Rodriguez pointed out that federal funds are quite restricted and may not be used for such advances/transfers.

Mr. Norwood recused himself from the following three (3) schools: Miami Community Charter School and Miami Community Charter Middle and High Schools.

Mr. Norwood asked about whether there is an MOU between the Gibson Charter School and Somerset Virtual Academy, both managed by the same company.

Ms. Tiffanie Pauline, Assistant Superintendent, and Ms. Ana Martinez, CFO of Academica, clarified that Somerset Virtual Academy is a corporate entity, but not a charter school.

For the record Mr. Harvey informed the Committee that Ms. Kairalla has submitted her Form 8B, Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers indicating her conflict with Pinecrest Middle/High School of Agenda Item #7. Additionally, he told Mr. Norwood that he also needs to complete the Form 8B for his voting conflict.

There being no further questions or comments, a motion was made by Mr. del Busto and seconded by Dr. Lawther, which carried unanimously, to recommend that the **Presentation for 57 of 126 Charter School Audited Financial Statements Fiscal Year Ended June 30, 2016**, be received and filed by the School Board.

8. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca introduced the above-noted report and stated that it summarizes what activity has transpired in OMCA since the last ABAC meeting and welcomed any questions.

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

Old Business:

Updates

a) State of Florida Auditor General Single, Financial, and Operational Audit Reports – Miami-Dade County District School Board

Mr. Montes de Oca introduced the item and explained that the ABAC meeting scheduled for January 24, 2017, had been canceled because the Single, Financial, and Operational Audit Reports were not completed. He noted that the report has been issued in draft form and is happy to announce that the Single Audit has no findings for the third year in a row; the financial report has a finding, which is debatable; and the operational audit has a few findings. He stated that all three reports will be presented at the May 9, 2017, ABAC meeting.

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

**b) Status of the Audit of WLRN Television and Radio Stations for Fiscal Year
Ended June 30, 2016**

This item was moved to the top of the agenda.

New Business:

None.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Wendelken at 3:37 p.m.

/em

Attachments (Recusal forms)

APPOINTED OFFICERS (continued)

- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Christopher Norwood, hereby disclose that on March, 20 17 :

(a) A measure came or will come before my agency which (check one or more)

- inured to my special private gain or loss;
- inured to the special gain or loss of my business associate, _____ ;
- inured to the special gain or loss of my relative, _____ ;
- inured to the special gain or loss of _____, by whom I am retained; or
- inured to the special gain or loss of _____, which is the parent subsidiary, or sibling organization or subsidiary of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

My company provides contracted services to the
Miami Community Charter
Miami Community Charter Middle
Miami Community Charter High

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

3/7/17
Date Filed


Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.

APPOINTED OFFICERS (continued)

- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Susan Marie Kairalla, hereby disclose that on 07 March, 20 17 :

(a) A measure came or will come before my agency which (check one or more)

- inured to my special private gain or loss;
- inured to the special gain or loss of my business associate, _____ ;
- inured to the special gain or loss of my relative, daughter-in-law, Jennifer Kairalla ;
- inured to the special gain or loss of _____, by whom I am retained; or
- inured to the special gain or loss of _____, which is the parent subsidiary, or sibling organization or subsidiary of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

Ms. Kairalla is assistant principal at Pinecrest Middle/High

Agenda Item #7

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

07 March 2017

Date Filed


Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.

FORM 8B MEMORANDUM OF VOTING CONFLICT FOR COUNTY, MUNICIPAL, AND OTHER LOCAL PUBLIC OFFICERS

LAST NAME—FIRST NAME—MIDDLE NAME WONDELKEN, EVELL R.	NAME OF BOARD, COUNCIL, COMMISSION, AUTHORITY, OR COMMITTEE Audit & Budget Advisory Com
MAILING ADDRESS 1450 Brockell Ave #1800	THE BOARD, COUNCIL, COMMISSION, AUTHORITY OR COMMITTEE ON WHICH I SERVE IS A UNIT OF: <input type="checkbox"/> CITY <input checked="" type="checkbox"/> COUNTY <input type="checkbox"/> OTHER LOCAL AGENCY
CITY COUNTY Merritt E 33143	NAME OF POLITICAL SUBDIVISION:
DATE ON WHICH VOTE OCCURRED 3/7/2014 EW/SP	MY POSITION IS: <input type="checkbox"/> ELECTIVE <input type="checkbox"/> APPOINTIVE

WHO MUST FILE FORM 8B

This form is for use by any person serving at the county, city, or other local level of government on an appointed or elected board, council, commission, authority, or committee. It applies to members of advisory and non-advisory bodies who are presented with a voting conflict of interest under Section 112.3143, Florida Statutes.

Your responsibilities under the law when faced with voting on a measure in which you have a conflict of interest will vary greatly depending on whether you hold an elective or appointive position. For this reason, please pay close attention to the instructions on this form before completing and filing the form.

INSTRUCTIONS FOR COMPLIANCE WITH SECTION 112.3143, FLORIDA STATUTES

A person holding elective or appointive county, municipal, or other local public office **MUST ABSTAIN** from voting on a measure which would inure to his or her special private gain or loss. Each elected or appointed local officer also **MUST ABSTAIN** from knowingly voting on a measure which would inure to the special gain or loss of a principal (other than a government agency) by whom he or she is retained (including the parent, subsidiary, or sibling organization of a principal by which he or she is retained); to the special private gain or loss of a relative; or to the special private gain or loss of a business associate. Commissioners of community redevelopment agencies (CRAs) under Sec. 163.356 or 163.357, F.S., and officers of independent special tax districts elected on a one-acre, one-vote basis are not prohibited from voting in that capacity.

For purposes of this law, a "relative" includes only the officer's father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with the officer as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

* * * * *

ELECTED OFFICERS:

In addition to abstaining from voting in the situations described above, you must disclose the conflict:

PRIOR TO THE VOTE BEING TAKEN by publicly stating to the assembly the nature of your interest in the measure on which you are abstaining from voting; *and*

WITHIN 15 DAYS AFTER THE VOTE OCCURS by completing and filing this form with the person responsible for recording the minutes of the meeting, who should incorporate the form in the minutes.

* * * * *

APPOINTED OFFICERS:

Although you must abstain from voting in the situations described above, you are not prohibited by Section 112.3143 from otherwise participating in these matters. However, you must disclose the nature of the conflict before making any attempt to influence the decision, whether orally or in writing and whether made by you or at your direction.

IF YOU INTEND TO MAKE ANY ATTEMPT TO INFLUENCE THE DECISION PRIOR TO THE MEETING AT WHICH THE VOTE WILL BE TAKEN:

- You must complete and file this form (before making any attempt to influence the decision) with the person responsible for recording the minutes of the meeting, who will incorporate the form in the minutes. (Continued on page 2)

APPOINTED OFFICERS (continued)

- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Erick Wendel/KLN, hereby disclose that on 3/2, 2017 EW/17

(a) A measure came or will come before my agency which (check one or more)

- inured to my special private gain or loss;
- inured to the special gain or loss of my business associate, _____;
- inured to the special gain or loss of my relative, _____;
- inured to the special gain or loss of _____, by whom I am retained; or
- inured to the special gain or loss of _____, which is the parent subsidiary, or sibling organization or subsidiary of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

My employer acted as the CPA firm for the "Statement of Conclusion" as it relates to WLRN, Friends of WLRN, and South Florida Public Media.

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

3/2/17 EW/17
Date Filed

Erick Wendel
Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.