

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2017-196  
March 2017

**MIAMI-DADE COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2015-16 fiscal year, Mr. Alberto M. Carvalho served as Superintendent of Miami-Dade County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dr. Wilbert "Tee" Holloway	1
Dr. Dorothy Bendross-Mindingall, Vice Chair from 11-17-15	2
Dr. Martin S. Karp	3
Ms. Perla Tabares Hantman, Chair	4
Ms. Susie V. Castillo	5
Ms. Raquel A. Regalado	6
Ms. Lubby Navarro	7
Dr. Marta Pérez	8
Dr. Lawrence S. Feldman, Vice Chair to 11-16-15	9

The team leader was Michael J. Salerno, CPA, and the audit was supervised by Hector J. Quevedo, CPA. For the information technology portion of this audit, the team leader was Vikki Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

## **SUMMARY**

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This operational audit of the Miami-Dade County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-089 and the management letter comment in the 2014-15 financial audit report. Our audit disclosed the following:

**Finding 1:** District records did not always evidence that impact fee proceeds were used only for authorized purposes, resulting in questioned costs of \$17.7 million.

**Finding 2:** As similarly noted in our report No. 2015-089, the District did not always timely correct deficiencies noted in annual facility inspections.

**Finding 3:** District controls over the purchasing card program continue to need improvement.

**Finding 4:** The District did not always document appropriate monitoring of charter school closures. Such monitoring is important to ensure that audit reports are timely completed and that other statutory requirements related to charter school closures are met.

**Finding 5:** District monitoring controls over motor vehicle fuel efficiency continue to need improvement.

**Finding 6:** The District needs to develop a comprehensive, written information technology (IT) risk assessment.

**Finding 7:** The District needs to develop a comprehensive, written IT disaster recovery plan.

**Finding 8:** IT security controls related to user authentication continue to need improvement.

## **BACKGROUND**

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The Miami-Dade County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Miami-Dade County. The governing body of the District is the Miami-Dade County District School Board (Board), which is composed of nine elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 354 elementary, middle, high, and specialized schools; sponsored 126 charter schools; and reported 352,802 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2015-089 and the management letter comment in the 2014-15 financial audit report. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, are presented in a separate report.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Restricted Capital Outlay Resources – Impact Fees**

Pursuant to a Miami-Dade County (County) Ordinance,<sup>1</sup> the District receives educational facilities impact fee proceeds and accounts for these proceeds in the applicable impact fee benefit funds. On August 30, 2000, the District and the County entered into an interlocal agreement, as required by the County Ordinance, to establish certain procedures for the transfer and expenditure of impact fee proceeds. The County Ordinance and the interlocal agreement provide that proceeds from the educational impact fees are to be earmarked for the construction of new capital educational facilities to accommodate school age children as a result of new residential development. The County Ordinance authorizes the District to use impact fee proceeds to:

- Incur expenditures for the planning and design of new educational facilities.
- Acquire land and material.
- Perform landscaping and site preparation.
- Relocate, extend, or improve utilities.
- Pay inspections and construction management fees.
- Acquire furniture, fixtures, and equipment for educational services.

In addition, the County Ordinance and the interlocal agreement require an annual audit of the impact fee fund financial statements by an independent auditor in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Further, the independent auditor is required to determine whether the District and the County have complied with applicable laws and regulations, including but not limited to, requirements established by the County Ordinance and the interlocal agreement.

The District accounts for impact fee activities in the Capital Projects Fund – Impact Fee Fund. For the 2015-16 fiscal year, impact fee proceeds totaled \$29.6 million and impact fee transfers to other funds and expenditures totaled \$17.7 million and \$1.8 million, respectively. To determine the propriety of the impact fee uses, we examined District records supporting all 19 impact fee transfers to other funds. Our examination disclosed that these transfers did not appear to be for authorized purposes as the \$17.7 million was used to service debt that predated approval of the 2015-16 fiscal year impact fees. Specifically, the transfers were to District debt service funds for payment of the debt service requirements of the Certificate of Participation Series (COPS) 2006C, 2006D, 2012B-1, 2012B-2, and 2014B. Additionally, according to the 2015-16 fiscal year impact fees audit report, the COPS 2006D, 2012B-1, 2012B-2, and 2014B proceeds were used to refund COPS 2001C, COPS 2004A, and COPS 2005A. Both the COPS 2004A and COPS 2005A were issued during the 2004-05 fiscal year and their proceeds had been used, in part, to partially refund 2000-01 fiscal year COPS debt.

In response to our inquiries, District personnel indicated that lease-purchase arrangements and other

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<sup>1</sup> Miami-Dade County Ordinance No. 95-79.

multi-year financing methods require the District to pledge anticipated impact fee proceeds and to make related debt service payments. District personnel also believed the impact fee use was allowable under the interlocal agreement and required by the County as a condition for adopting the County Ordinance. Notwithstanding this response, District records did not evidence that use of impact fee proceeds to service debt incurred in previous fiscal years addresses the capital educational needs of future residents of the new residential developments for whom the 2015-16 fiscal year impact fee proceeds were collected. Consequently, these impact fee transfers totaling \$17.7 million represent questioned costs.

**Recommendation: The District should ensure that impact fee proceeds are expended only for authorized purposes. Additionally, the District should either document to the Florida Department of Education the allowability of the impact fee proceed transfers totaling \$17.7 million to the debt service funds, or restore the \$17.7 million to the 2015-16 fiscal year Capital Projects Fund - Impact Fee Fund.**

### **Follow-up to Management's Response**

*Management indicated in the written response that the Impact Fee Ordinance authorized various types of multi-year financing in order to build schools in the Impact Fee Districts. However, the point of our finding is that the transfers from the 2015-16 fiscal year impact fees did not directly relate to the educational infrastructure needs of the residents of the new residential developments that paid the impact fees. Accordingly, we continue to question the allowability of the transfers.*

## **Finding 2: Annual Facility Inspections**

State law<sup>2</sup> requires the District to provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the State Board of Education (SBE) rules. In addition, fire safety inspections are required to be performed annually by persons certified by the Division of State Fire Marshal as being eligible to conduct fire-safety inspections in public and ancillary plants.

During the 2015-16 fiscal year, the District provided for the required annual inspection of its 395 educational and ancillary plant facility locations. We examined the inspection records for 4 selected school facilities and verified that the District performed the required annual inspections for these schools. However, the inspection records for the 4 schools disclosed 1,626 deficiencies or facility maintenance needs that remained unresolved for 2 or more years after the date the inspections were performed. The deficiencies included, for example, broken smoke detectors, gas line corrosion, painted over fire sprinkler heads, sprinkler pipe and structural corrosion, uninstalled fire sprinklers, and an unmaintained fire alarm system. Similar findings were noted in previous audit report Nos. 2011-099 and 2015-089.

In response to our inquiries in October 2016, District personnel indicated that the deficiencies were due, in part, to the age of the school facilities. District personnel also indicated that the District was actively correcting the deficiencies and that major general obligation bond renovation projects to address the deficiencies were underway. Timely correction of facility deficiencies is important to reduce risks to the occupants' health and safety and to avoid future additional costs.

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<sup>2</sup> Section 1013.12, Florida Statutes.

**Recommendation:** The District should continue efforts to ensure that deficiencies and facilities maintenance needs identified in the annual inspection reports are timely corrected.

### Finding 3: Purchasing Card Program

The District uses purchasing cards (P-cards) to expedite the purchase of selected goods and services. Board policies<sup>3</sup> provide that P-cards may be used to make small dollar purchases and acquire materials and supplies as needed for operations. However, Board policies<sup>4</sup> prohibit P-card use for certain expenditures, such as food for meetings, and individual memberships in professional, educational, and community organizations. Also, purchases made with P-cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional P-card requirements established in the Purchasing Card Program Policies and Procedures Manual (Manual). According to District personnel and our review of District records:

- The Manual identifies additional unallowable charges that may not be made using P-cards, such as charges for extracurricular school activities, equipment greater than \$1,000, and any product procured by the District's Stores and Mail Distribution.
- The Manual also requires use of a purchase authorization form to preapprove P-card purchases. The form requires the requester and cardholder names; a description, including quantity and price, of the goods and services being acquired; and the name and signature of the worksite administrator approving the purchase. Upon approval, the form is returned to the employee authorized to make the purchase.
- District personnel monitor and cancel P-cards of employees who discontinue employment by reviewing a report of employment terminations.
- To issue P-cards and process purchases using P-cards, the District contracted with a financial institution. According to the contract with the financial institution, the institution requires the customer to immediately notify the institution of loss or unauthorized use of any P-card account.

P-card expenditures totaled \$10.9 million for the 2015-16 fiscal year and, as of June 30, 2016, P-cards had been issued to 496 District employees. Our examination of District records supporting 80 selected P-card expenditures totaling \$79,935 disclosed that:

- Worksite administrators both requested and approved 73 (91 percent) of the 80 purchases without independent supervisory review and approval. A contributing factor for this deficiency is that the Manual did not require independent supervisory review and approval of the purchase authorization forms or other records for purchases requested by worksite administrators.

In response to our inquiry, District personnel indicated that worksite administrators are responsible for all their location's purchases, including their own. Notwithstanding this responsibility, without independent supervisory review and approval of worksite administrator purchases, there is an increased risk that any errors or fraud that may occur will not be timely detected.

- Seven charges totaling \$5,419 were not allowed according to the Manual, including:
  - A \$2,900 charge for a wrestling program scale, which exceeded the Manual's \$1,000 limit for equipment.

<sup>3</sup> Board Policy 6424, *Purchasing Cards*.

<sup>4</sup> Board Policy 6480, *Expenditures*.

- A \$1,980 charge for 20 desk chairs (including bookracks) that were also available in the District Stores and Mail Distribution inventory catalog. The purchase cost was \$99 per chair; however, the cost of the chairs listed in the Stores and Mail Distribution inventory catalog was \$82 per chair. Had the purchase been made through the inventory catalog, the purchase would have been \$1,640, or \$340 less than the purchase made using the P-card.
- Three charges totaling \$372 for items prohibited by the Manual, such as t-shirts, decorative hats, table decorations, and a water slide rental.
- A \$124 charge for automotive service provider memberships for emergency services. Subsequent to our inquiries in June 2016, the cardholder reimbursed the District.
- A charge totaling \$43 that was originally recorded as office supplies, but not supported by copies of receipts or other District records. Subsequent to our inquiries in November 2016, the District obtained a copy of the receipt showing that the transaction was for bakeware and buffet set purchases at a retail store.

In response to our inquiries, District personnel indicated that, although these charges were not in compliance with the P-card manual, they served educational purposes.

Adherence to the Manual's purchasing restrictions would reduce the risk of inappropriate purchases and appropriate supervisory review and approval procedures would help detect purchases that are not allowed by the Manual and provide assurance that P-cards are used exclusively for authorized District purposes.

Additionally, our examination of District records supporting the P-cards for 24 employees who separated from District employment during the 2015-16 fiscal year disclosed that the P-cards for 9 former employers were not canceled until 6 to 271 days, or an average of 76 days, after the individuals separated from District employment. According to District personnel, the untimely cancellations occurred because the report used to monitor employment separations did not include all District employees. District personnel also indicated that, subsequent to our examination, the monitoring report was modified to include all District employees. While our examination of District records disclosed that the former employees did not charge any purchases after their employment separations, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the District's ability to satisfactorily resolve disputed charges. A similar finding was noted in our report No. 2015-089.

**Recommendation: The District should enhance P-card procedures to:**

- **Require independent supervisory review and approval of worksite administrator purchases be documented and maintained.**
- **Effectively restrict P-card use to the purposes authorized in the Manual. Such procedures should promote additional care by supervisors who review and approve P-card charges to ensure the charges comply with Manual requirements.**
- **Ensure that P-card privileges are promptly canceled upon a cardholder's separation from District employment.**

## Finding 4: Charter School Terminations

State law<sup>5</sup> provides that:

- Upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than \$10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract, is for reasonable attorney fees and costs during the pendency of any appeal, or is for reasonable fees and costs to conduct an independent audit.
- An independent audit is to be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.
- A charter school may not enter into a contract with an employee that exceeds the term of the school's charter with its sponsor.

According to District personnel, the District implemented procedures to notify charter schools of the requirements in State law. For example, the State law requirements are included in the charter school charter contracts and, upon notification of nonrenewal or termination of a charter contracts, District personnel include the requirements in the termination letter sent to the charter school. In addition, annually in May, District personnel review charter school financial audit contracts and have discussions with charter school staff about the audit scope, the audit period, and management and auditor responsibilities. The review also allows District personnel to confirm whether the contract requires an audit in accordance with *Governmental Auditing Standards*.

Our examination of District records disclosed that nine charter schools closed during the 2014-15 and 2015-16 fiscal years, including three charter schools that were consolidated with other existing charter schools. We made inquiries to District personnel about the remaining six charter schools, requested for examination District records associated with those schools, and found that:

- District records did not evidence efforts to monitor the six charter schools to ensure that prior District approval was obtained for expenditures over \$10,000 that were not already budgeted or that the charter schools had not contracted with employees for terms that exceeded the charter school's charter contract with the District.
- Independent audits for two charter schools were not completed until 43 to 113 days after the schools' closure. Although District personnel documented their review procedures with the charter school staff and the financial audit contracts of the two schools established an audit completion date, the financial audit contracts did not require an audit within 30 days after the schools' notice of nonrenewal, closure, or termination.
- As of December 2016, District records did not evidence that the required audits had been completed for three charter schools that closed. Although we requested, District records were not provided to demonstrate that District personnel previously reviewed the financial audit contracts to determine if the contracts required an audit within 30 days after the schools' notice of nonrenewal, closure, or termination.

In response to our inquiry, District personnel indicated that:

- Charter school staff self-report financial information to the District, and the expenditure transactions usually remain below \$10,000.

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<sup>5</sup> Section 1002.33(9)(o), Florida Statutes.



- Charter schools have the authority to enter into annual employment contracts and hire employees at will without consulting the District.
- Audit delays for the five charter schools occurred primarily because of the time required to close accounting records, review the audit reports, and present the reports to the schools' governing boards or because the schools initially lacked funding for the audits.
- The three charter schools that did not obtain audits lacked the funding to pay for the audits.
- If a charter school does not provide for the required independent audit, the District does not have the authority to force a charter school to obtain the required audit.

Notwithstanding these responses, absent effective monitoring of charter school closures, there is an increased risk that public funds and assets may not revert to the District and any charter school transaction errors or misappropriations that may occur will not be timely detected.

**Recommendation:** The District should ensure that charter school closures are appropriately monitored, and that District monitoring efforts are documented. At a minimum, District monitoring records should evidence whether:

- All charter school expenditures over \$10,000 were subject to prior District approval. Specifically, District records should document, upon initial notification of a charter school closure, District efforts to review and preapprove the charter school's purchases of goods and services over \$10,000.
- Charter school employee contracts did not exceed the term of the charter school's charter agreement with the District.
- An independent audit was completed within 30 days after the notice of a charter school closure. For example, the District should document:
  - The annual review and approval of charter school audit contracts to confirm that the required 30-day audit provision is in the contract. If the contracts exclude required audit completion dates, District personnel efforts to ensure the contracts are amended to establish such dates should be documented. Additionally, should the charter school close, the District should take appropriate action, such as increased communications with the charter school and the charter school auditor, to ensure timely completion of the audit.
  - For charter schools that lack the funds to pay for audits, a cost-benefit analysis assessing whether it would be in the District's best interest to pay for the audit and attain an independent assessment of the charter school's public funds and assets. District personnel could use the assessment to further determine whether the charter school properly reverted applicable public funds and assets to the District.

## **Finding 5: Monitoring Fuel Efficiency**

During the 2015-16 fiscal year, the District expended \$1.4 million and \$3.9 million for gasoline and diesel fuel, respectively. The principal system used for dispensing fuel for District motor vehicles is the Vehicle Information Transmitter (VIT). The VIT system uses a fuel tracking device installed in vehicles to track fuel distributed through the fuel pumps located at transportation centers. The fuel tracking device activates the fuel pump and allows the user to obtain fuel without the use of a fuel card or personal identification number while capturing data that allows management to generate fuel consumption and exception reports for each vehicle.

The District Department of Transportation (DOT) is responsible for reviewing the monthly fuel exception reports that identify vehicles with a fuel consumption average of less than 4 miles per gallon or more than 25 miles per gallon. The report provides the dates and times of the fuelings, odometer readings at the time of the fuelings, miles driven, units of fuel consumed, and the average miles per gallon for each vehicle. The DOT submits the exception reports to the department responsible for the vehicles for investigation or to the corresponding vehicle repair shop to have the mileage verified and the VIT checked to ensure that the mileage readings match. If odometer reprogramming or VIT recalibration is necessary, the revised readings are entered in the District fuel system to update applicable vehicle fuel usage records.

During the 2015-16 fiscal year, the District had approximately 1,500 automobiles and trucks and 1,200 buses that refueled using the District transportation center fuel pumps. Our review of the average miles per gallon exceptions for 30 selected vehicles listed on the January 2016 exception report disclosed that for 6 vehicles (automobiles and trucks) reported fuel mileage exceptions ranging from 0.06 to 2,060.2 miles per gallon remained unresolved by management at the end of May 2016, or 3 months after the fuel exceptions were first reported. In response to our inquiry, District personnel indicated that the exceptions shown on the report resulted from several flaws in the fuel exception report, mileage-related anomalies, and VIT technical errors due to the VIT not being synchronized to the vehicle's odometer. Notwithstanding this response, when reported exceptions are not resolved timely, the control provided by the VIT system is limited and there is increased risk of unauthorized fuel usage.

In July 2016, the District purchased an upgrade to the software used in processing the fuel usage information transmitted by the VITs to correct flaws noted in the fuel exception report. In August 2016, the District installed and started testing the new software upgrade; however, as of November 2016, the District had not fully implemented the software upgrade. Similar findings were noted in our report Nos. 2013-108 and 2015-089.

**Recommendation: The District should continue efforts to timely investigate and resolve exceptions noted in fuel exception reports.**

#### **Finding 6: Information Technology – Risk Assessment**

Management of information technology (IT) related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps entity personnel understand the entity's greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessments, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, help support management's decisions in establishing cost effective measures to mitigate risk and where appropriate, formally accept residual risk.

Although the District had informally considered external and internal risks based on various tests, reviews, and implementation of security controls to mitigate these risks, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider specific threats and vulnerabilities at the District, system, and application levels. A comprehensive, written IT risk assessment would also document the range of risks that District systems and data may be

subject to, including those posed by internal and external users, as well as plans for the mitigation of identified risks.

In response to our inquiry, District personnel indicated that measures impacting high risk areas have already been enacted; and will continue to be monitored and strengthened as necessary. District personnel further indicated that the IT Department intends to complete a comprehensive, written IT risk assessment. The absence of a comprehensive, written IT Risk Assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through appropriate controls.

**Recommendation: The District should develop a comprehensive, written IT risk assessment to provide a documented basis for managing IT-related risks.**

#### **Finding 7: Information Technology – Disaster Recovery Plan**

An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and include step-by-step procedures for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct during an actual disruption of IT operations.

As of October 2016, the District had not established a comprehensive, written disaster recovery plan, that assigned responsibilities for recovery activities to key employees and backup personnel, prioritized critical operations and data, and detailed the specific processes and procedures to be followed at the District to affect the recovery and restoration of financial, payroll, student records, and other critical applications.

In response to our inquiry, District personnel indicated that an offsite backup of all District systems is maintained, and that agreements are in place with vendors to acquire replacement equipment in order to replicate the IT system from the backup files in the event of a disaster. Notwithstanding this response, without a comprehensive, written disaster recovery plan, and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

**Recommendation: The District should develop a comprehensive, written IT disaster recovery plan that identifies the District's key recovery personnel and critical data, processes, and applications; provides for backups of critical data sets; and includes step-by-step procedures for recovery. In addition, once developed, the District should test the plan at least annually.**

#### **Finding 8: Information Technology – Security Controls – User Authentication**

Security controls are intended to protect the confidentiality, integrity, and availability of District data and information technology (IT) resources. Our audit procedures disclosed that certain District security controls related to user authentication need improvement. We are not disclosing specific details of the

issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding relating to user authentication was communicated to District management in connection with our report Nos. 2011-099 and 2015-089.

**Recommendation: District management should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

## ***PRIOR AUDIT FOLLOW-UP***

The District had taken corrective actions for applicable findings included in our report No. 2015-089 and the management letter comment in the 2014-15 financial audit report except as noted in Findings 2, 3, 5, and 8 and shown in Table 1.

**Table 1  
Findings Also Noted in Previous Audit Reports**

Finding	2012-13 Fiscal Year	2011-12 Fiscal Year	2009-10 Fiscal Year
	Operational Audit Report No. 2015-089, Finding	Operational Audit Report No. 2013-108, Finding	Operational Audit Report No. 2011-099, Finding
2	4	Not Applicable	4
3	6	Not Applicable	Not Applicable
5	11	4	Not Applicable
8	15	Not Applicable	18

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2016 to December 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2015-089 and the management letter comment in the 2014-15 financial audit report.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the 2015-16 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed the District's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We also tested selected access privileges to the District's Enterprise Resource Planning (ERP) system to determine the appropriateness and necessity of the access based on employees' job duties and

user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network, operating systems, databases, and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:

- Tested the three roles<sup>6</sup> that allowed update access privileges to selected critical ERP system finance application functions and reviewed the appropriateness of access privileges granted for 26 accounts.
- Tested the three roles that allowed update access privileges to selected critical ERP system human resources application functions and reviewed the appropriateness of access privileges granted for 16 accounts.
- Tested the 4 default network administrator system groups that allow complete access to network resources and reviewed the appropriateness of administrator access privileges granted to 36 accounts for the network.
- Tested the default server administrator group that allows complete access to the server and all administrative accounts for the operating system that supports the ERP system application and database server and reviewed the appropriateness of administrative access privileges granted to 55 accounts.
- Tested the appropriateness of the 18 database administrator accounts granted for the ERP system's database management system.
- Tested the appropriateness of the 9 database administrator accounts granted for the ERP system's databases.
- Tested the 6 transactions<sup>7</sup> related to granting user access privileges, the 2 transactions related to database table maintenance, and the 2 roles that allow update access privileges to all transactions and reviewed the appropriateness of administrator privileges granted to 63 accounts for the ERP system applications.
- Reviewed District documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated District procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
- Evaluated the adequacy of District policies and procedures for the creation, authorization, and review of user accounts.
- Determined whether District policies and procedures were in effect governing the classification, management, and protection of confidential and sensitive information.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Determined whether a comprehensive, written IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Evaluated the adequacy of the comprehensive IT security awareness and training program.

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<sup>6</sup> Roles group transactions and associated authorization objects which allow users to perform certain functions.

<sup>7</sup> Transactions are references used to access functions or programs within the ERP system applications.

- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.
- Evaluated the adequacy of District policies and procedures related to security incident response and reporting.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District data center.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2016, to determine whether the total was less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the ability of the District to make its future debt service payments.
- From the population of \$231.7 million total expenditures and \$364.3 million total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$11.6 million and \$174.6 million, respectively, to evaluate District compliance with the restrictions imposed on the use of these resources.
- Analyzed Workforce Development Funds expenditures totaling \$94.9 million to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 257 industry certifications reported for performance funding that were attained by students during the 2014-15 and 2015-16 fiscal years, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 25,097 adult general education instructional students reported for 2.9 million contact hours during the Spring 2016 term, examined District records supporting 3,097 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Examined the District Web site to determine whether the 2015-16 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2013-14 and 2014-15 fiscal years.
- Examined supporting documentation to determine whether required internal funds audits for the 2015-16 and 2 preceding fiscal years were timely performed pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.

- Reviewed District records, direct-support organization (DSO) audit reports, and made inquiries to District personnel to determine whether the District made any transfers to DSOs.
- Evaluated severance pay provisions in 30 employee contracts to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes. We also reviewed District records and made inquiries to District personnel to determine whether severance payments complied with the statutory requirements.
- From the population of 61,971 employee compensation payments totaling \$1.8 billion during the audit period, examined District records supporting compensation payments totaling \$131,934 to 45 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 16,645 instructional personnel and 922 school administrators during the audit period, examined supporting documentation for 30 selected employees to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for the audit period related to 15 employees, 10 contractors, and 15 school volunteers selected from the population of 30,418 employees, 18,650 contractors, and 47,095 school volunteers to assess whether personnel who had direct contact with students were subjected to the statutory and District-required fingerprinting and background checks.
- Examined District policies, procedures, and related records for school volunteers to determine whether for the audit period the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- From the population of 1,239 payments totaling \$937,271 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 30 selected payments totaling \$48,386 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Examined District records supporting the eligibility of 26 selected recipients of the Florida Best and Brightest Teacher Scholarships Program awards from the population of 191 teachers who received scholarships totaling \$1.6 million during the audit period.
- Reviewed District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- Determined whether expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected and carried adequate insurance. From the population of expenditures totaling \$2.5 billion for the audit period, we examined documentation relating to:
  - Thirty payments for general expenditures totaling \$7.8 million.
  - Thirty payments for contractual agreement services totaling \$2.2 million.
  - The competitive selection of 30 vendors with payments totaling \$2.2 million.



- Inquired of District personnel about major software purchases and reviewed accounting records and Board minutes for the audit period to determine whether there were any major software purchases.
- From the population of 145 significant construction contracts with expenditures totaling \$134.6 million during the audit period, selected 25 significant construction contracts with expenditures totaling \$73.7 million. For these 25 contracts, we:
  - Examined records to determine whether the construction managers were properly selected.
  - Evaluated District procedures for monitoring subcontractor selection and licensure and examined records to determine whether subcontractors were properly selected and licensed.
  - Examined records to determine, as applicable, whether the architects and engineers were properly selected and adequately insured.
  - Determined whether the District established written policies and procedures addressing negotiation and monitoring of applicable general conditions costs.
  - Examined records supporting all payments to construction managers to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports for 4 District facilities to determine whether the deficiencies were timely corrected.
- From the population of purchasing card (P-card) transactions totaling \$10.9 million during the audit period, examined documentation supporting 80 selected transactions totaling \$79,935 to determine whether P-cards were administered in accordance with District policies and procedures. We also reviewed District records to determine whether the District timely canceled the P-cards privileges for 24 employees who had been assigned P-cards and separated from District employment during the audit period.
- Determined whether rebate revenues for the audit period totaling \$224,685 for the P-card program and \$121,132 for the e-Payable program were allocated to the appropriate District funds.
- Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored charter schools.
- From the population of nine charter schools that closed during the 2014-15 and 2015-16 fiscal years, determined whether the District had established procedures to monitor the charter school closure requirements for in State law, including the completion of an independent audit within 30 days after notice of nonrenewal, closure, or termination required by Section 1002.33(9)(o)(2), Florida Statutes.
- For the nine charter schools that were not renewed or were terminated in the 2014-15 or 2015-16 fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school or center, except as previously agreed upon by the District.
- Evaluated the sufficiency of District procedures for the audit period to determine whether District charter schools and charter technical career centers were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.
- Examined supporting documentation, including the contract documents, for 30 selected consultant contract payments totaling \$2.2 million from the population of 4,515 consultant contracts totaling \$28.6 million in progress during the audit period, to determine whether the District complied with competitive selection requirements, and the contracts clearly specified deliverables, time frames, documentation requirements, and compensation. Also, we examined supporting documentation to determine whether the District complied with Section 112.313,

Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contract. We also examined documentation for the 30 payments for proper support and compliance with contract terms.

- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, pursuant to the 2015 General Appropriations Act, we determined whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school to the FDOE.
- Examined financial records of the District's self-insured health insurance program during the audit period to determine whether the program was fiscally sound.
- Determined whether new employees hired by the District's adult education program were properly approved by personnel with the authority to hire, meet the position requirements and filled established positions.
- Determined whether the District had adequate policies and procedures regarding its Virtual Instruction Program (VIP) for the audit period.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined District accounting records for the audit period to ensure that the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Evaluated District records for the audit period to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study as required by Section 1002.45.3(a) and (b), Florida Statutes.
- Examined student records and District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials, and for those eligible students who did not already have such resources in their home, computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- From the population of 267 students enrolled in the District VIP during the audit period, examined District records for 30 selected students to determine whether students enrolled met statutory eligibility requirements prescribed by Section 1002.45(5), Florida Statutes.
- For 5 FDOE-approved VIP providers that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Reviewed contractual provisions of the VIP providers that contracted with the District for the audit period to determine whether the providers were required to utilize only teachers certified to teach in Florida in accordance with Section 1012, Florida Statutes, and highly qualified as identified by the No Child Left Behind standards.
- From the population of 267 students enrolled in the District VIP during the audit period, examined District records for 30 selected students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.

- Examined the contract documents for the 5 FDOE-approved VIP providers to determine whether the contracts contained required statutory provisions. Also, we:
  - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
  - Evaluated the contract and other related records to determine whether the District documented the reasonableness of student-teacher ratios established in the contract.
  - Examined contract fee provisions and inquired as to how fees were determined for services rendered.
  - Evaluated District-established controls to determine whether residual VIP funds were restricted and used for the District's local instructional improvement system or other technological tools, as required by State law.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE<sup>8</sup>



## Miami-Dade County Public Schools

*giving our students the world*

**Superintendent of Schools**  
Alberto M. Carvalho

**Miami-Dade County School Board**

Dr. Lawrence S. Feldman, Chair  
Dr. Marta Pérez, Vice Chair  
Dr. Dorothy Bendross-Mindingall  
Susie V. Castillo  
Dr. Steve Gallon III  
Perla Tabares Hantman  
Dr. Martin Karp  
Lubby Navarro  
Mari Tere Rojas

March 27, 2017

Ms. Sherrill F. Norman, CPA  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

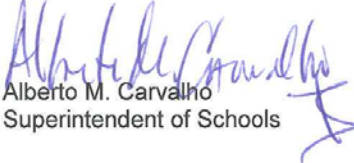
Attached are our responses to the preliminary and tentative audit findings and recommendations of the operational audit of The School Board of Miami-Dade County, Florida, for the fiscal year ended June 30, 2016.

As noted in the responses, the District generally agrees with these findings. Management has implemented corrective actions to satisfy all recommendations pertinent to this audit report. What follows are details of the findings and their corresponding responses and corrective actions plans.

Dr. Daniel Tosado, Chief of Staff, is responsible for coordinating the responses associated with this audit. If additional information is required, you may contact him at 305 995-1890.

We welcome the information provided by your staff and this report regarding recommendations for improvement and efficiency of operations. We would like to express our appreciation for the professional manner in which this audit was conducted.

Sincerely,

  
Alberto M. Carvalho  
Superintendent of Schools

AMC:sl  
L914

Attachment

cc: Superintendent's Cabinet

*School Board Administration Building • 1450 N.E. 2nd Avenue • Miami, Florida 33132  
305-995-1000 • [www.dadeschools.net](http://www.dadeschools.net)*

<sup>8</sup> Management's response refers to Attachments A, B, and C that are not included in this report but may be obtained from the District.

**Finding No. 1 - District records did not always evidence that impact fee proceeds were used only for authorized purposes, resulting in questioned costs of \$17.7 million.**

**Management's Response:**

The District disagrees with Finding Number 1 requesting to ensure that impact fee proceeds are not used for debt service payments related to lease purchase financing such as Certificate of Participation (COPs) bonds. It appears that this finding is based solely on the original Miami-Dade County Ordinance 95-79, but the Auditor General must read the provisions of the County Ordinance in context of the accompanying and adopted regulations, specifically Ordinance 95-152 incorporating the Impact Fee Manual, the Interlocal Agreement and First Amendment thereto, all of which explain that acquisition agreements, and provide authorization for the District to finance Impact Fee projects with multiyear financing arrangements in excess of 20 years.

Enclosed (Attachment 1), please see additional supporting documentation from the District's bond counsel who was involved in the Impact Fee ordinance from its inception and provides historical knowledge and understanding of the County's purpose and requirements related to expenditures of Impact Fee funds. As confirmed by bond counsel, the District was legally required by the regulations adopted through the Impact Fee Ordinance to provide for multi-year financing of all impact fee financed educational facilities through a variety of arrangements, including both long term and short term instruments in order to build schools in the Impact Fee Districts. For this reason, the Auditor General's premise that debt service incurred in previous years does not address the needs of the future residents is invalid, because the future residents have benefited and will continue to benefit from the schools built through financing arrangements that would have never been able to be built on a pay as you go system as the Auditor General is recommending. Based on these facts, the District respectfully disagrees with the finding that the \$17.7 million debt service expenditure is invalid and ascertains that the District acted and spent the funds in question according to the requirements and authorization mandated by the Miami-Dade County.

**Finding No. 2 – As similarly noted in our report No. 2015-089, the District did not always timely correct deficiencies noted in annual facility inspections.**

**Management's Response:**

The District continues correcting deficiencies noted by the Auditor General in their memorandum dated August 30, 2016. All operational deficiencies have been corrected. Additionally, major General Obligation Bond (GOB) renovation projects are under construction at Hialeah and Miami Northwestern senior high schools. Scoping for a \$4.3M GOB project at Miami Edison Senior High has been completed and an architect and construction management firm will be commissioned by spring 2017. Deficiencies at William Turner Technical College have been assigned to the District's Maintenance Department and corrective action is underway.

Repair work is ongoing at the above schools and 71% of the maintenance deficiencies have already been corrected. It is anticipated that the remaining maintenance deficiencies at these sites will be completed by June 2017 and Capital deficiencies are being address through the

GOB projects described above. Please be assured that none of the pending items pose a hazard to student and staff.

**Finding No. 3 – District controls over the purchasing card program continue to need improvement.**

**Management’s Response:**

School Board Policy 6424 – Purchasing Cards, authorizes the use of a P-card to expedite the purchase of small dollar purchases and acquire materials and supplies as needed for the effective and efficient operation of the school/location.

Additionally, Board Policy 6424 specifies the responsibilities of those authorized to use the purchasing card. Work location administrators are responsible for the administration of their location’s budget, as well as purchases including those made through purchase orders and purchasing card as long as they are within the thresholds established by District administrative procedures.

The District will enhance the Purchasing Card Authorization form (FM-5707) to require both the name and signature of the requester of the goods as well as the approver.

As stated in the audit, the District’s purchasing card expenditures for fiscal year 2015-16 comprised of 39,929 transactions that totaled \$10.9 million. The seven items cited in the audit totaling \$5,419 represent an immaterial portion of .05% of the total expenditures in the purchasing card program.

As part of the efforts to avoid purchases not allowed by the purchasing card, the District will continue to provide monthly training sessions on the proper use of the P-card in addition to briefings noting revisions or updates to the purchasing credit card program.

As stated to the auditors, the District has modified existing reports to identify status changes (i.e., termination, leave, change of work location, etc.) of all employees who have been assigned a purchasing card. These reports will ensure a timely cancellation of the purchasing card.

**Finding No. 4 – The District did not always document appropriate monitoring of charter school closures. Such monitoring is important to ensure that audit reports are timely completed and that other statutory requirements related to charter school closures are met.**

**Management’s Response:**

Upon initial notification of non-renewal, closure or termination of its charter, a lack of “evidence” that the District properly monitored and approved charter school expenditures over \$10,000 per expenditure unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract, was used for reasonable attorney fees and costs during the pendency of any appeal, or was for reasonable fees and costs to conduct an independent audit.

While notification to the charter schools of the statutory requirement relative to expenditures was provided as evidence, it should be noted that there are significant obstacles that obstruct a more thorough review of financial documentation of schools going through the termination/closure process without relying on information on-hand or information self-reported by the charter school. More specifically, even upon notification of non-renewal, closure or termination: (a) the district does not have legal access to or legislative authority to access a charter school's bank accounts in the event that the charter school does not comply with the request for financial documentation and records; (b) the district does not have the legal authority to penalize a charter school's governing board and/or employees beyond termination of the charter contract; and, (c) pursuant to §1002.33 (8)(e), F.S., when a charter is not renewed or is terminated, the school shall be dissolved under the provisions of law under which the school was organized making efforts to sue post closure rarely successful.

Relative to the 6 schools referenced, please find the following information as it relates to expenditures upon notice of non-renewal, termination, or voluntary closure as support of the District's monitoring efforts:

1. Lawrence Academy (WL 6008): Despite requests and the retraction and withholding of FEFP funds, the school did not fully comply with the request for financial information and thus, CSCS was unable to determine if the school was in compliance.
2. Lawrence Academy Senior High Charter School (WL 7036): Despite requests and the retraction and withholding of FEFP funds, the school did not fully comply with the request for financial information and thus, CSCS was unable to determine if the school was in compliance.
3. River Cities Community Charter School (WL 6049): A review of the school's expenditures revealed that the school did not exceed the expenditure threshold. (The financial reports/statements are contained in Attachment A.)\*
4. Oxford Academy of Miami (WL 5010): A review of the school's expenditures revealed that the school did not exceed the expenditure threshold. (The financial reports/statements are contained in Attachment B.)\*
5. RAMZ Academy 6-8 Middle School (WL 6005): A review of the school's expenditures revealed that the school did not exceed the expenditure threshold. (The financial reports/statements are contained in Attachment C.)\*
6. Florida International Elementary Academy (WL 3024): A review of the school's expenditures revealed that the school did not exceed the expenditure threshold.

The Office of Charter School Compliance and Support will revise the current charter school termination close out report to include the governing board chair attestation form and references to pertinent artifacts that clearly memorialize the degree of compliance with the expenditure requirement.

Lack of evidence that charter school employee contracts are monitored to ensure that the contract term did not exceed the term of the charter school's charter agreement with the District.

The statutory language guiding this requirement states that "A charter school may not enter into a contract with an employee that exceeds the term of the school's charter contract with its sponsor," §1002.33 (9)(o)(4). This language falls under the category of Charter School Requirements within the statute, and thus, it is the District's stance that ultimately, compliance is the responsibility of the school's governing board. Additionally, charter school employees are not employees of the School District; therefore, the responsibility of negotiating the terms of the

employee contract rests with the school's governing board. As the Sponsor, the School District does provide explanatory guidance regarding this requirement during the new school/principal orientation, facilitated by the CSCS, and may be included in the FDOE's Training as well. Given the volume of charter school employees as well as the rate of turnover, the monitoring of such compliance has to rest with the charter school's governing board.

Timeliness of obtaining the required final independent audits of closed charter schools.

It has been evidenced that the District does (a) notify charter schools, prior to termination and post termination about final independent audit requirements; (b) formally request the independent audits within the required 30-day timeframe; and (c) take proactive and reactive measures to obtain the required independent audits. However, the District will explore legislative and contractual solutions to ensure that the charter school's auditor is aware of the statutory requirement. Additionally, to strengthen the District's ability to ensure inclusion in the charter school's audit contract and appropriate consideration by both the charter school and its auditor, it would be beneficial to all school districts throughout the state, if guidance regarding this matter could be included in the AG's annual Audit Report Review Guidelines.

\* The referenced Attachments were already provided to the AG via email under separate cover; however, they are contained in this document as hyperlinks to an Attachment Manager for convenient transmittal, access and download.

## **Finding No. 5 - District monitoring controls over motor vehicle fuel efficiency continue to need improvement.**

### **Management's Response:**

The Department of Transportation has implemented a Fuel Management System upgrade in order to generate an improved report that identifies exceptions or irregularities with the fuels being dispensed to the MDCPS fleet.

Additionally, Transportation Administration and the Office of School Operations conducted a training session on February 22<sup>nd</sup>, 2017. Attendance to this training was mandatory for all Department supervisors.

During this training the key aspects of this process were explained, as well as the importance of resolving exceptions in a timely manner. It was emphasized to all participants that it is their responsibility as the end user to investigate and address any exceptions. If an exception could not be explained or resolved, an investigation should be initiated by the department that owns the vehicle. Additionally, any reoccurring irregularities that are identified by the Department of Transportation will result in the restriction of access to the fuel dispensers. This would then require the end user to resolve any irregularities before the restoration of fuel access.

The new Fuel Management System is currently collecting new data to determine the average Miles Per gallon by unit type. This will further enhance the accuracy of the report and minimize the exceptions.

The Department of Transportation will continue to work closely with all other district offices to ensure all fuel dispensed is closely monitored for its appropriate use.



**Finding No. 6 – The District needs to develop a comprehensive, written information technology (IT) risk assessment.**

**Management’s Response:**

The District will initiate a Request for Quote (RFQ) in order to determine the cost and extent of a phased or progressive impact and risk assessment of District-managed systems to be performed by an outside entity. Once costs and timelines are established a proposed recommendation will be submitted for review and approval.

**Finding No. 7 – The District needs to develop a comprehensive, written IT disaster recovery plan.**

**Management’s Response:**

The District will initiate an RFQ to determine the cost of a phased disaster recovery plan for ITS and a business continuity plan for District offices. Once costs and timelines are established a proposed recommendation will be submitted for review and approval.

**Finding No. 8 – IT security controls related to user authentication continue to need improvement.**

**Management’s Response:**

The District previously determined that there would be a potential business interruption or significant cost incurred with regards to two of the confidential findings; however, the District will re-evaluate this recommendation and make adjustments as feasible/possible.



March 17, 2017

Leo Fernandez, CTP  
Treasurer  
Miami-Dade County Public Schools  
1450 NE 2nd Avenue, Room 615  
Miami, FL 33132

**Re: Education Impact Fees**

Dear Leo:

From the beginning of the County's education impact fee program in 1995, it was the intent of the County and the Miami-Dade County School Board that the lease purchase concept passed by the legislature in 1986 and first utilized by the School Board in 1988, was to be used to accelerate production of school facilities to keep up with growth. The ordinance and interlocal agreement in 1995 focused on competitive lease purchase arrangements directly with developers, not involving the issuance of COP's in the public market. See the definition of "Public Educational Facilities Acquisition Agreements" on page 12 of the Ordinance and page 19. Such agreements can be "short or long term". In the Impact Fee Manual adopted September 14, 1995, Section X.A.1) authorized expenditures of impact fees for "capital educational facilities, including facilities acquired through public educational facilities acquisition agreements, including associated financing costs." The Ordinance states on page 24 that the Ordinance becomes effective upon adoption of the Impact Fee Manual and the Interlocal Agreement. The Impact Fee Manual on page 23 states that it becomes effective upon adoption of the Interlocal Agreement. The three documents must therefore be read together as one integrated program.

The initial Interlocal Agreement supports the concept of multi-year financings payable from future impact fees by stating on page 3 that the School Board agrees to encumber anticipated impact fee revenue, to the extent available, for the following new public educational facilities through a lease-purchase arrangement and on page 4 describing a formal lease-purchase process with multi-year financial commitments involving the pledging of anticipated Impact Fee Monies from future years. In fact, the School Board does not actually pledge future year revenues, but appropriates it on a year to year basis in the annual budget.

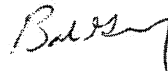
In July 2000 the Interlocal Agreement was amended because the original agreement provided only for impact fee expenditures pursuant to private lease purchase arrangements. Such limited arrangements were deemed by the County to be too limited. The County Manager's memorandum to the Commission stated that "the Agreement required that impact fees expended for new public educational facilities be limited only to lease purchase arrangements. Experience over the past five years has indicated that the proposed lease-purchase process has not yielded these results. As a result it is requested that the following amendment to the existing Interlocal Agreement be approved. These revisions will: Provide for multi-year financing of all impact fee financed educational facilities through a variety of arrangements, including both long-term and

Leo Fernandez, CTP  
Miami-Dade County Public Schools  
March 17, 2017  
Page 2

short-term instruments.” The First Amended Interlocal Agreement describes long term financing for projects as having a term of “not less than 20 years”. Short term financing of projects was defined as financings having “a term of not less than 5 years”. In Section 9 e. on page 5 of the First Amended Interlocal Agreement, the parties stated that financed costs “shall require multi-year financial commitments involving the pledging of anticipated Impact Fee Monies from future years”. And in Section 18 of the First Amendment, the County agreed that if it reduces or eliminates impact fee revenues available for payments under a lease purchase agreement or other multi-year financing method already entered into by the School Board or imposes a moratorium, and as a result, the School Board revenues are less than the amount due, the County agrees to make up the shortfall.

In sum, there is no doubt that the County and the School Board contemplated that production of schools to accommodate growth was to be accomplished through long term lease purchase arrangements secured by future impact fees to be collected over a periods that could exceed 20 years, and that the impact fees could be used to pay financing costs and interest on amounts borrowed. The First Amended Interlocal Agreement addressed the need to widen the market for lease purchase agreements by facilitating sales of certificates of participation in the public market. A school financed with impact fees will provide additional student stations for its entire useful life. This program is entirely consistent with Florida law governing impact fees, whether they are imposed for roads, utilities or schools.

Very truly yours,



Robert C. Gang

Attachments