

MIAMI-DADE COUNTY PUBLIC SCHOOLS



2014 ANNUAL REPORT AND 2015 ANNUAL AUDIT PLAN AND BUDGET



OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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Dr. Lawrence S. Feldman, Vice Chair
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Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

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**MIAMI-DADE COUNTY PUBLIC SCHOOLS
OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS**





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

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September 10, 2014

The Honorable Chair and Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

Presented herein is the 2014 Annual Report from the Office of Management and Compliance Audits (OMCA) pursuant to School Board Policy 6835.

The District's budget and number of employees have declined in recent years, and there continue to be many fiscal challenges. Miami-Dade County Public Schools remains one of the 20 largest local governments in the United States with equivalence to a Fortune 500 company in the private sector. The District is required to conduct and/or oversee a broad array of business and operational functions in furtherance of its educational mission, ranging from areas such as Financial Management, Procurement, Construction, Maintenance, Food Service, Transportation, Human Resources, Labor Relations, School Police, Information Technology and Risk & Benefits Management.

Against this formidable backdrop, it will be our goal in FY 2014-15 to build on the audit success of previous years and continue providing value-added auditing services to assist the School Board, its Audit and Budget Advisory Committee (ABAC), and the Superintendent and his administration in their governance, advisory, and executive capacities.

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We will continue to work in a collaborative, but independent minded manner, in accordance with applicable auditing standards and School Board Policies to support the Leadership in continuing to guide and advance the provision of a high caliber education to our students and operate the District efficiently and effectively.

As described in the following pages of this 2014 Annual Report and Audit Plan, OMCA will continue to focus its resources on auditing and allowable non-audit services that will provide the best return to the District in terms of: ensuring sound, cost-effective internal controls; providing recommendations to maximize efficiency and effectiveness; enhancing transparency of tax funded programs; helping to ensure receipt of all available revenues; ascertaining propriety of expenditures; determining compliance with applicable laws, rules, policies and best practices; and identifying emerging risks.

The Audit Plan for 2015 was drafted by the OMCA and presented to the Audit and Budget Advisory Committee at its June meeting as a proposal. During the summer, we sought and obtained input from stakeholders and developed the final Plan for School Board approval.

Respectfully yours,

A handwritten signature in black ink, reading "José F. Montes de Oca". The signature is written in a cursive style with a large, sweeping initial "J".

José F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

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ABOUT OUR OFFICE

- ▶ The Office of Management and Compliance Audits was established by the School Board and operates pursuant to School Board Policy 6835 *Office of Management and Compliance Audits*.
- ▶ We are responsible for providing the School Board, the School Board Audit and Budget Advisory Committee, and the Superintendent of Schools with an independent and objective evaluation of the fiscal and operational activities in the school district.
- ▶ The above task is accomplished through the issuance of various audit reports that are filed as public records of the organization.
- ▶ We advise the administration on many issues related to the fiscal operations of the school system by participating in several committees, and also by issuing various correspondences dealing with fiscal and operational matters.
- ▶ An annual audit plan that governs the activities of the office is prepared, and often includes input from the administration, the School Board and Audit and Budget Advisory Committee.

OUR MISSION

Our mission is to provide an independent appraisal activity as a service to the School Board through the Audit and Budget Advisory Committee. Through the internal audit process, our office assists the Superintendent and management in maintaining an internal control environment that is conducive to safeguarding and preserving the school system's assets and resources, improving the general effectiveness of its operations, and assuring compliance with applicable laws, policies and procedures.

AUDIT OBJECTIVES

- ▶ Perform examinations of the financial records in accordance with generally accepted auditing standards.
- ▶ Ascertain the reliability and adequacy of accounting reporting systems and procedures.
- ▶ Perform an independent appraisal of the adequacy and effectiveness of internal controls.
- ▶ Assure compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
- ▶ Improve the efficiency of the school system's operations by providing recommendations in audit reports.
- ▶ Ascertain if school system assets are properly accounted for and safeguarded from loss.

ROLE OF THE CHIEF AUDITOR

- ▶ During the 2013-2014 fiscal year, the Chief Auditor and the Office of Management and Compliance Audits reported to the School Board and submitted all reports through the Audit and Budget Advisory Committee, the School Board's designee. To enhance the objectivity and effectiveness of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted, by the Chief Auditor, to the School Board, the Board's Audit and Budget Advisory Committee and the Superintendent of Schools at the same time.
- ▶ The Chief Auditor keeps abreast of new developments in the school system by attending the School Board meetings, Superintendent Cabinet meetings, and meetings of school system-wide communities.
- ▶ The Chief Auditor also acts as liaison between the school system and external auditors (federal, state, and independent auditors, and other outside audit entities).

ROLE OF THE AUDIT AND BUDGET ADVISORY COMMITTEE

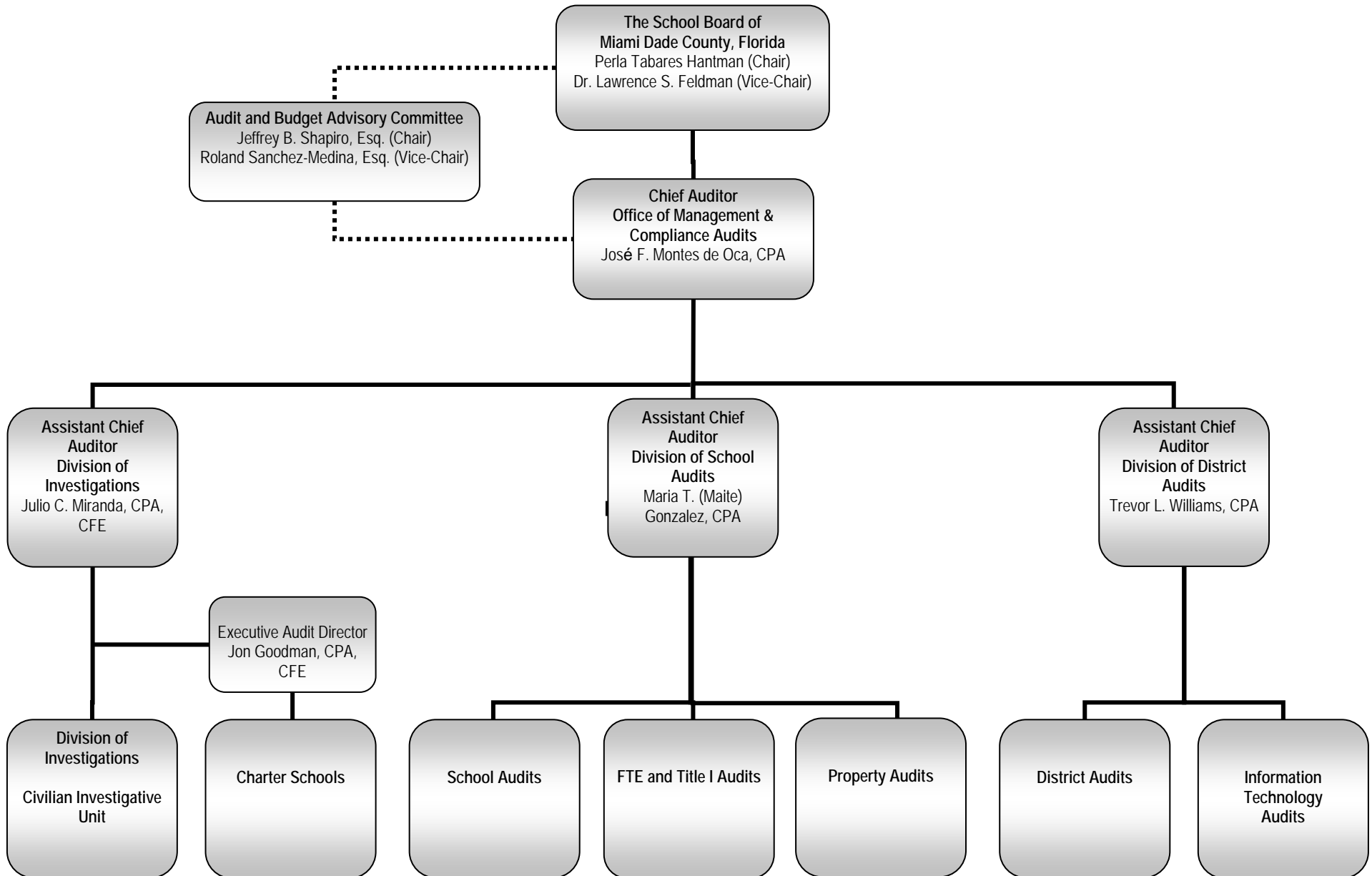
- ▶ It advises on auditing activities at the school district. ***This includes the work and the activities of the internal auditors from the Office of Management and Compliance Audits.***
- ▶ It reviews the work of the external auditors, other auditors who provide financial audits on charter schools and other components of the School District; and the work of the State Auditor General.
- ▶ It also reviews proposed annual budgets, revenues, expense forecasts assumptions, and budget amendments. In addition, it receives periodic reports and consults with the Chief Financial Officer on the adequacy of the District's budget and tracking system. Finally, it makes recommendations to the School Board and the Superintendent on the quality and reliability of the budget, without opining on policies and programmatic implications.
- ▶ Its general purpose is to ensure that the overall audit coverage of Miami-Dade County Public Schools is sufficient and appropriate to protect the interests of the citizens of Miami-Dade County, Florida; to ensure that an adequate system of internal control has been implemented in Miami-Dade County Public Schools and is being effectively followed; and to assist and advise The School Board of Miami-Dade County, Florida, and the Superintendent of Schools in fiscal matters pertaining to the District.

AUDIT AND BUDGET ADVISORY COMMITTEE MEMBERSHIP

- The Office of Management and Compliance Audits is entrusted with the responsibility of providing service and logistical support to the ABAC, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the Chair of the ABAC, gathering the supporting documentation for distribution, and ensuring the smooth operation of the Committee affairs. During 2013-14 the ABAC was composed as follows:

Audit and Budget Advisory Committee Membership	Title	Professional Affiliation	Appointment Information
			School Board Member
Mr. Jeffrey B. Shapiro, Esq.	Chair	Law Partner Arnstein & Lehr LLP	Ms. Perla Tabares Hantman, School Board Chair
Mr. Roland Sanchez-Medina, Jr., Esq.	Vice-Chair	Law Partner Sanchez-Medina, Gonzalez, et al	Ms. Raquel A. Regalado
Dr. Lawrence S. Feldman	Voting Member	School Board Member Representing the Board	Ms. Perla Tabares Hantman, School Board Chair
Ms. Susan Marie Kairalla	Voting Member	Volunteer	Dr. Marta Pérez
Mr. Rayfield M. McGhee, Jr., Esq.	Voting Member	McGhee & Associates LLP Attorney at Law	Dr. Wilbert "Tee" Holloway
Mr. Benjamin J. Moscowicz, CFP	Voting Member	Financial Planner Professional	Ms. Susie V. Castillo
Mr. Christopher Norwood, J. D.	Voting Member	Public Affairs Professional The Norwood Consulting Group	Dr. Dorothy Bendross-Mindingall
Mr. Jose I. Rasco, CPA	Voting Member	Investment Professional	Mr. Carlos L. Curbelo
Mr. Isaac Salver, CPA	Voting Member	Accounting/Business Advisory Professional Isaac Salver CPA Firm	Dr. Martin Karp
Mr. Frederick F. Thornburg, Esq.	Voting Member	Former partner in Thornburg, McGill, Deahl, Harmon, Carey and Murray, after leaving the partnership and on merger the firm renamed Barnes and Thornburg; Past Executive Committee member of the Board of Directors of the NYSE Wackenhut Corp. and President of Wackenhut Intl.; current CEO of FFS, LLC and serves on academic, charitable and company boards.	PTA/PTSA
Ms. Marian L. Hasty, Esq.	Voting Member	Law Partner Gautier & Hasty, P.L.	Dr. Lawrence S. Feldman, School Board Vice Chair
Dr. Richard H. Hinds	Non-Voting Member	Associate Superintendent/Chief Financial Officer	N/A

ORGANIZATIONAL CHART

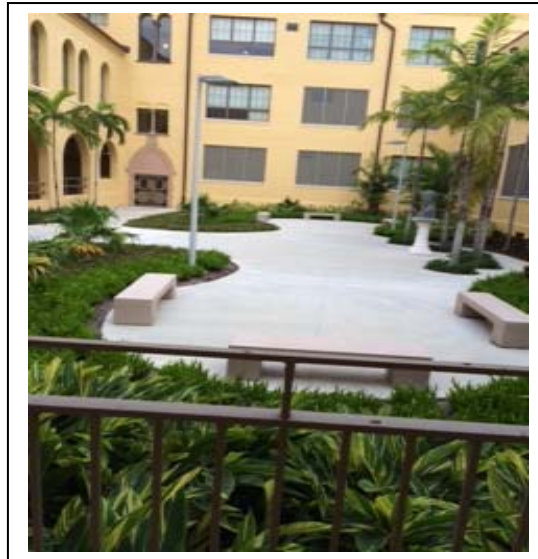


AUDIT REPORTS PRESENTED BY THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

We have classified the audits prepared and presented by the OMCA into six categories:

- ▶ School Audits
- ▶ Property Audits
- ▶ District Audits
- ▶ Investigative Audits
- ▶ External Audits
- ▶ Non-Audit Services and Activities

A summary of the work performed by the Civilian Investigative Unit (CIU) is reported as part of the Investigative Audits since CIU reports to our Investigative Audits Division.



SCHOOL AUDITS

Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 *School Board Responsible for Internal Funds*, require school boards to provide for an annual audit of schools' internal funds.

The scope of our school audits was based on individual evaluations at each and every school, considering materiality, past audit findings/experience, size of school student body, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school. At all schools, however, we reviewed internal funds and property procedures, and conducted physical inventories of equipment with an individual cost of \$1,000 or more (refer to page 12 of this report for property inventory results).

For the FY 2013-2014 we reviewed the following at selected schools:

- ▶ **Payroll records and procedures at 98 schools (35%).** This consisted of a review of payroll procedures and documentation related to the preparation of usually the most current payroll records, which include time, and attendance and leave records. This also included a review of the internal controls over the payroll function at the schools, including the reporting of payroll.
- ▶ **The Purchasing Credit Card Program (P-Card) at 29 schools (10%).** This consisted of the review of the procurement credit card reconciliations and supporting documentation; and a test of expenditures to ensure they were in compliance with established procedures.
- ▶ **Data security management report audit assessment at 9 schools (3%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate.

SCHOOL AUDITS (CONTINUED)

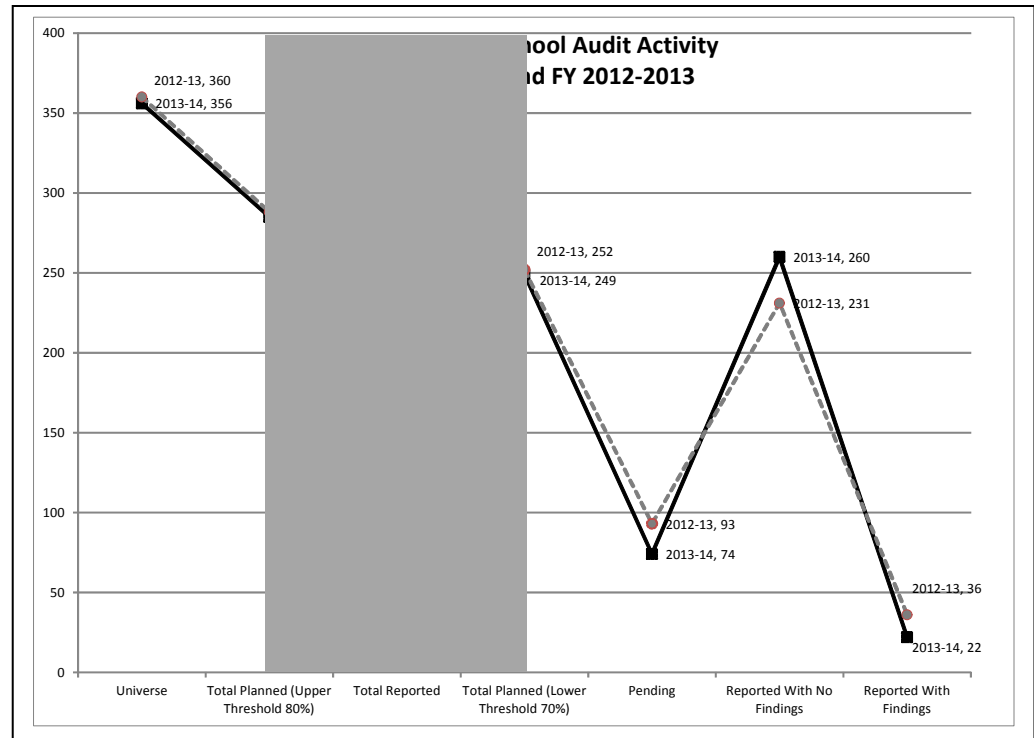
- ▶ **Title I Program audits were selectively conducted at 14 schools (5%).** At schools, principals administer Title I programs with oversight from the Regional Centers, and under general direction from the Title I Administration Office. To promote district and school-wide compliance with Federal, State, and district regulations and guidelines, and to ensure that appropriate evidence sources document compliance, the Office of Management and Compliance Audits incorporated the audit of this program into the school audits.
- ▶ **Full-Time Equivalent (FTE) audits were conducted at 46 schools (16%) based on audit criteria developed by this office.** FTE audits were incorporated as part of the school audits routinely performed by this office. Miami-Dade County Public Schools receives a significant portion of its State funding through the Florida Education Finance Program (FEFP). During our FTE audits, we examined student records to determine compliance with State law and State Board of Education rules relating to the classification, assignment, and verification of full-time equivalent student enrollment under the FEFP. A review of records was related to student attendance, Special Education, English Language Learners, Cooperative Education and Teacher Certification.



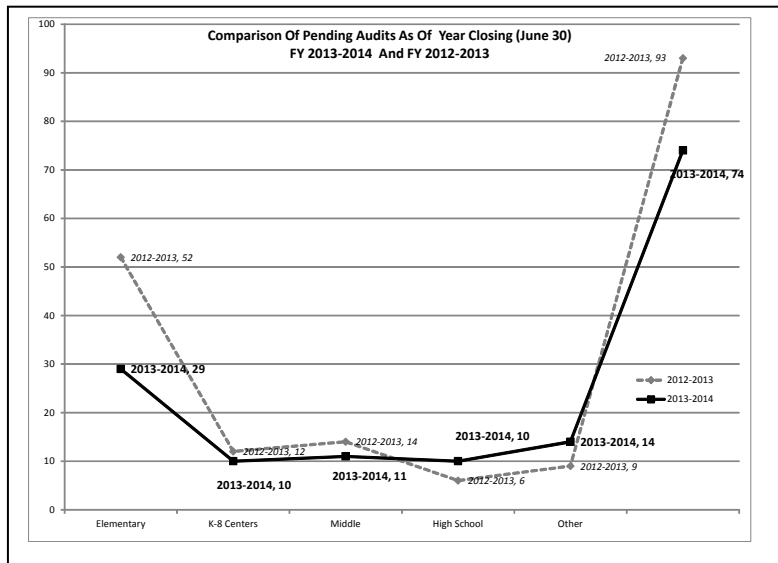
SCHOOL AUDITS (CONTINUED)

SCHOOL AUDITS--SUMMARY OF RESULTS

- ▶ We found that of 282 schools audited in FY 2013-2014, 260 schools (92%) conducted their financial affairs in accordance with district policies and maintained good internal controls. However, at 22 schools (8%), there were opportunities for improvement. The number of schools with exceptions decreased when compared to prior year's results where, of 267 schools audited, 36 schools (13%) were cited.
- ▶ The Audit Plan for the 2013-2014 fiscal year mapped the school audit coverage at 70%-80% of the school sites, which we met by completing a total of 282 of 356 school audits to be performed for the 2012-2013 fiscal year. Our audit coverage represented 79% of the total audit population. In the 2012-2013 fiscal year, we audited 267 of 360 schools (74%).
- ▶ Compared to the previous year's audit activity (FY 2012-2013), the total number of schools audited increased by 15 schools.



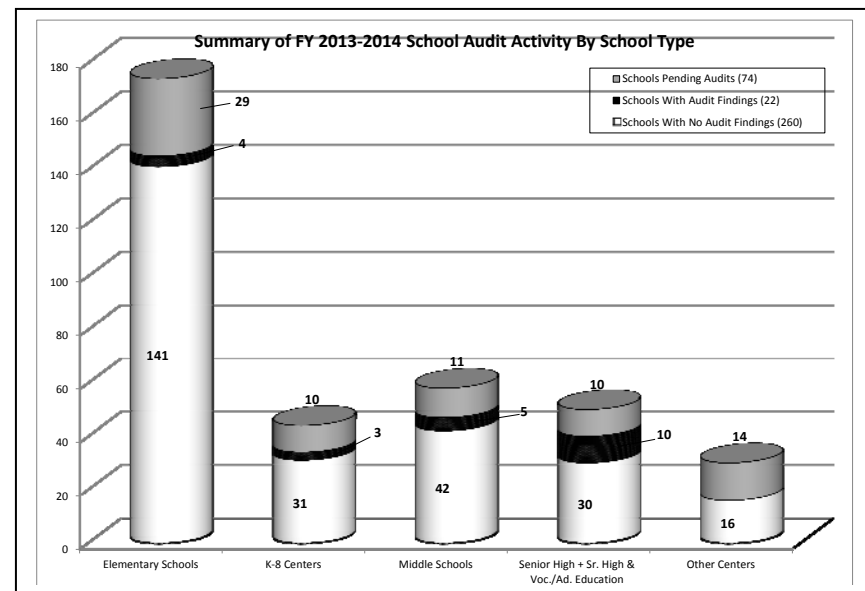
SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)



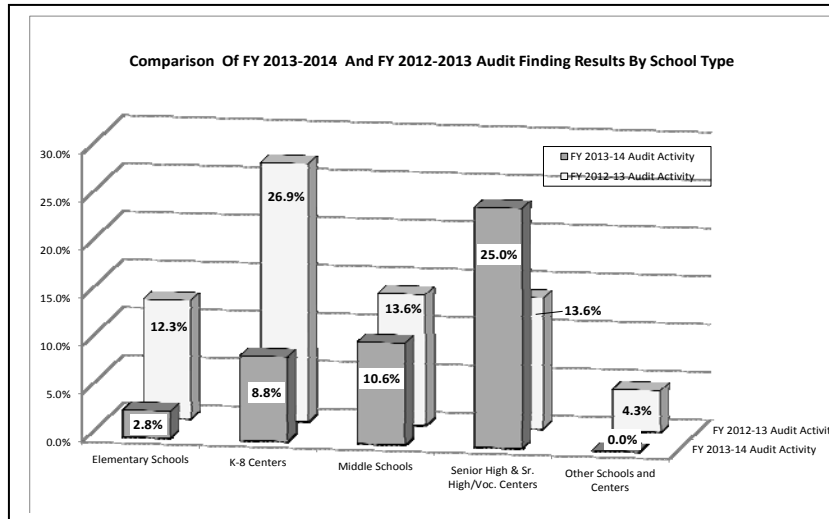
► We closed the 2013-2014 fiscal year with a total of 74 schools pending audits. These consisted of 29 elementary schools, 10 K-8 centers, 11 middle schools, 10 senior high schools and 10 other schools. For the 2012-2013 fiscal year 93 schools were pending audits at the close of the year. These included 52 elementary schools, 12 K-8 centers, 14 middle schools, 6 senior high and 9 other centers. A comparison as illustrated in the adjacent graph shows that for the 2013-2014 fiscal year, there was a modest increase in the number of schools not audited by the closing of the year.

The graph to the right depicts the breakdown of the school audit activity arranged by Elementary, K-8, Middle, Senior High and Other schools (Adult and Other Centers), depending on whether the school had audit findings/no audit findings published, or the school audit was pending publication as of the end of the fiscal year. This graph also illustrates the 74 schools that were pending audits at the closing of the year.

► As the graph shows, almost 40 percent of the 74 schools pending an audit consisted of elementary schools; while the remainder was divided almost equally among the K-8, secondary and adult education centers.

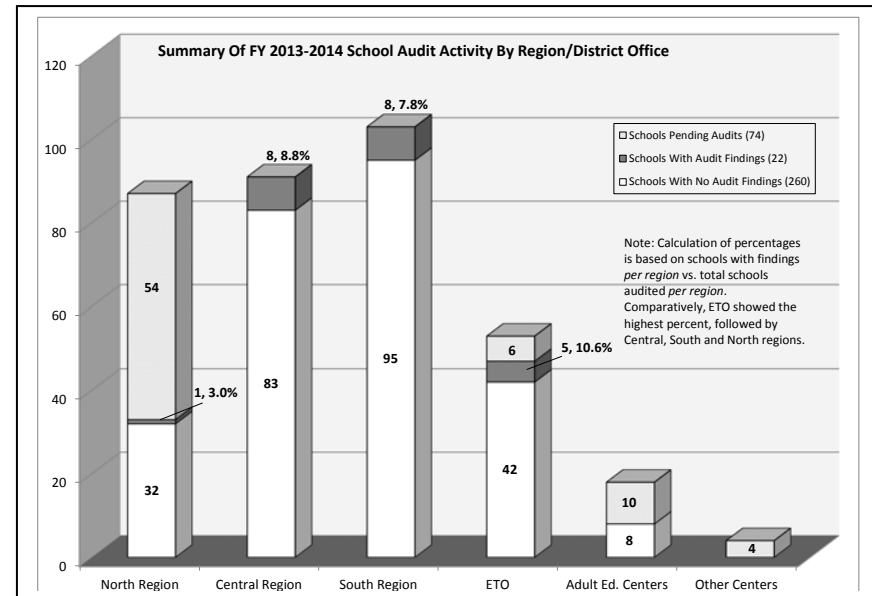


SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)



- ▶ The graph on the left shows that by comparing last year's and this year's results, senior high schools require greater attention. Also, this comparison shows improvement in the audit results of the rest of the schools.
- ▶ The breakdown of school audits reported by region in the graph below shows that, comparatively, the highest percentage of schools with audit findings was noted in the ETO, followed by Central, South and North regions, respectively.

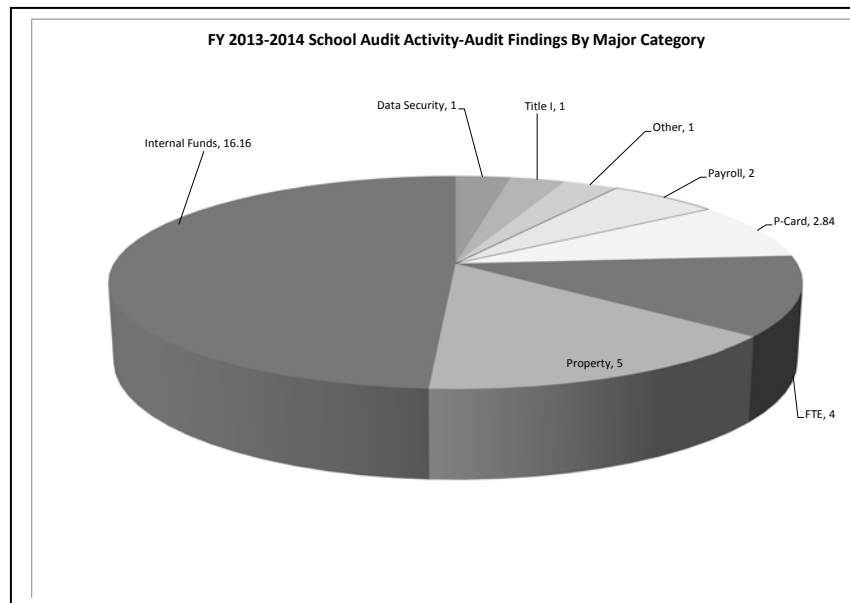
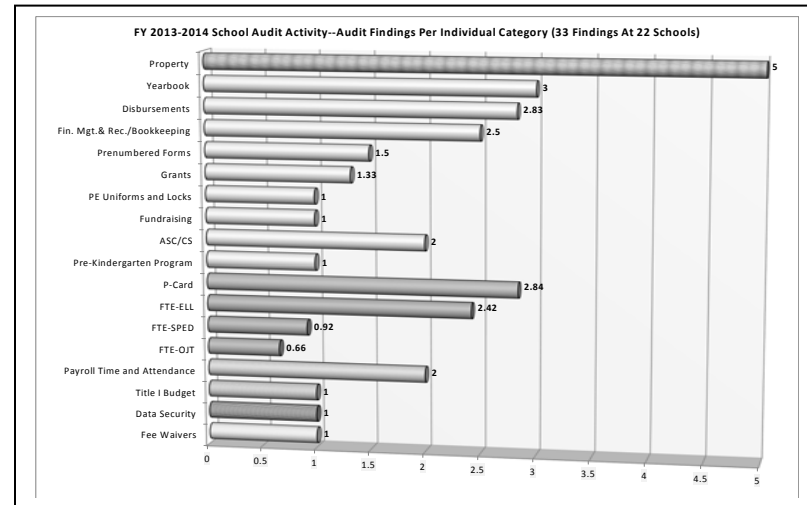
- ▶ At the time the fiscal year concluded, we were in the process of auditing schools in the North Region, of which 54 school audits could not be completed in time for publication.
- ▶ School audits pending at year-end will be published next year as two-year audits.



SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

► During FY 2013-2014, school audit reports cited a total of **33** audit findings at **22** schools. In FY 2012-2013, school audit reports cited a total of **56** audit findings at **36** schools.

► A breakdown of the findings shows that, similarly to the prior year, non-compliance with disbursement procedures (at six of the 22 schools with findings related to purchases made with internal funds or the P-Card) requires continued attention from school site administration to ensure that going forward, disbursement procedures are adhered to with fidelity. Similarly, an increase in the number of findings over property requires management’s closer attention over the management and safeguarding of property to prevent future losses in this area.



► Findings were mostly in the area of internal funds, followed by property and FTE. In FY 2012-2013, most findings related to internal funds, FTE and payroll. As the chart illustrates, only two findings in payroll were reported this fiscal year (compared to five in the previous year).

► Overall, although the number of schools with findings and the number of individual findings have decreased when compared to previous years (thus indicating a positive trend and validating managements’ efforts to improve/strengthen accountability and compliance mechanisms at school sites), the administration should continue its monitoring efforts over the audited areas to ensure optimal results and compliance with District policy.

PROPERTY AUDITS

- ▶ The Office of Management and Compliance Audits is responsible for ensuring that the School District is accounting for all of its tangible property. At M-DCPS, the management of tangible property must comply with the guidelines established in the *Manual of Property Control Procedures*.
- ▶ Pursuant to Chapter 274.02 of the Florida Statutes, a complete physical inventory of all property shall be taken annually, be compared with the property record, and discrepancies must be identified and reconciled. Furthermore, the Florida Department of Financial Services, Rule Chapter 69I-73 establishes that "all property with a value or cost of \$1,000 or more and a projected useful life of one year or more shall be recorded in the local government's financial system as property for inventory purposes". Accordingly, our office conducts yearly inventories at each school of all tangible property with an individual cost of \$1,000 or more, the results of which are reported as part of the school audits.
- ▶ During FY 2013-2014, our Property Auditors visited almost 375 work locations (which included 330 school sites) and accounted for approximately 89,000 items with a combined cost of almost \$381 million. Approximately \$318,200 (0.08%) was reported as "unlocated" and close to \$146,600 (0.04%) was reported missing through the Plant Security Report process. The combined loss rate was 0.12%, which represents a slight increase from the prior year. In FY 2012-2013, we visited close to 410 locations and reported \$367.6 million in property cost with a combined loss rate was 0.096%. For prior year, losses amounted to approximately \$178,350 from the physical inventories and close to \$172,000 from Plant Security Reports. *The unfavorable variance in the property losses reported in FY 2013-2014 requires that school site administration reassess controls over the safeguarding of equipment to maintain their inventories more efficiently to prevent similar losses in the future.*

PHYSICAL INVENTORY RESULTS 2013-2014 FISCAL YEAR					
School/Department	Total Property Cost	Total Property That Could Not Be Accounted For			Percentage Unaccounted For
		Per Physical Inventory	Per Plant Security Reports	Total	
North	\$ 45,686,895	\$ 9,513	\$ 19,470	\$ 28,983	0.06%
Central	45,684,989	150,166	36,416	186,582	0.41%
South	62,100,776	21,996	27,968	49,964	0.08%
ETO	39,937,167	135,342	24,722	160,064	0.40%
Other Centers	7,806,106	0	3,895	3,895	0.05%
District	179,501,829	1,133	34,081	35,214	0.02%
Totals	\$ 380,717,762	\$ 318,150	\$ 146,552	\$ 464,702	0.12%

DISTRICT AUDITS

The District Audits Division performs non-school audits, reviews and selected investigations. The areas of audit coverage by this division include the District support units/operations, such as Financial Services, Construction, Maintenance, Procurement, Transportation, School Operations, Food Services, Instructional Support, Human Resources, Information Technology Services, Risk Benefits, District Security and Safety. The scope and objective of the audits and reviews performed by the District Audits Division usually necessitates the concurrent interaction of multiple support units/operations.

Nature of Work

- ▶ The engagements performed by this division are primarily performance/operational audits and reviews, which assess a unit's or program's operational effectiveness and efficiency, and compliance with established guidelines. Each audit and review conducted includes an assessment of the system of internal controls of the unit's or program's operations.
- ▶ From time to time, the administration will request an audit/investigation of a specific area of concern, such as a program, process, service or contract. Where these areas of concern fall within the division's area of audit coverage, we will perform the requested audit/investigation as time and resources allow.



DISTRICT AUDITS –SUMMARY OF RESULTS

Audit of Inventories as of June 30, 2013 (December 2013)

We audited the inventory balances as reported in the unaudited Annual Financial Report for the fiscal year ended June 30, 2013, for the following departments/units of Miami-Dade County Public Schools (M-DCPS): 1) Department of Food and Nutrition; 2) Stores and Mail Distribution; 3) Maintenance Materials Management; and 4) Department of Transportation.

Our audit consisted of observing the physical inventory counts, testing the counts, and verifying the prices at which the inventories were valued. In

addition, we compared the physical inventory results to the perpetual inventory records, to the general ledger balances, and to the amounts reported in the unaudited Annual Financial Report.

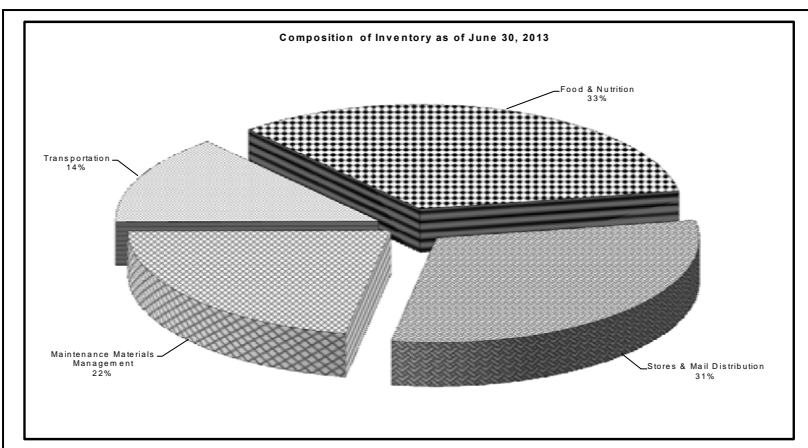
Department/Unit	Perpetual Inventory Prior to Count	Adjustment to Perpetual	Adjusted Perpetual Inventory June 30, 2013	Unadjusted General Ledger	Adjustment to General Ledger	Adjusted General Ledger June 30, 2013	Annual Financial Report June 30, 2013
Textbook Support Services ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food & Nutrition ²	3,109,253	(378)	3,108,875	3,108,875	-	3,108,875	3,108,875
Stores and Mail Distribution ³	2,833,690	(335)	2,833,355	2,828,630	4,725	2,833,355	2,833,355
Maintenance Materials Management	2,050,602	-	2,050,602	2,047,889	2,713	2,050,602	2,050,602
Transportation ⁴	<u>1,289,545</u>	<u>(293)</u>	<u>1,289,252</u>	<u>1,264,270</u>	<u>24,982</u>	<u>1,289,252</u>	<u>1,289,252</u>
Total Inventory	<u>\$9,283,090</u>	<u>\$(1,006)</u>	<u>\$9,282,084</u>	<u>\$9,249,664</u>	<u>\$32,420</u>	<u>\$9,282,084</u>	<u>\$9,282,084</u>

¹No perpetual inventory system is maintained for textbooks.

²Adjustments consisted of \$(378) warehouse count adjustment.

³Adjustments consisted of \$52 from inventory activity and accounting transactions after the cut-off date and \$(387) in department count adjustments.

⁴Adjustments to perpetual was immaterial. Adjustments to general ledger consisted of \$(50,940) for repair parts, \$11,492 for tires and tubes, \$13,308 for unleaded fuel and \$51,122 for diesel fuel. Although not material to the overall inventory balance, we have discussed our concerns about these adjustments with both DOT and the Office of the Controller.



In our opinion, the inventories were fairly stated, in all material respects, in the unaudited Annual Financial Report. In addition, internal controls over the inventory management function were generally adequate. Year-end inventories decreased 1.7% from \$9.4 million at June 30, 2012, to \$9.3 million at June 30, 2013.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Audit of Internal Controls Over Derivative Instruments Management (December 2013)

Our audit found that the system of internal control in place over derivative instruments is mostly adequate; however, there were opportunities for improvement therein. Areas identified include, but were not limited to, the need for various enhancement to the District's Debt Management Policy, including an annual review of the swap policy and for critical terms therein to be defined; for management to communicate the potential effect that the execution of a swap could have on the credit rating of the district's other outstanding obligations when considering entering into a swap, as required by Board policy; and for management to report, to the School Board, information on the existing swaps' performance, including a cash flow analysis, as required by Board policy.

Follow-up to McGladrey's Rapid Assessment Report on Facilities Construction (January 2014)

McGladrey's core finding stated that the district's Office of School Facilities is accounting for its Construction Management (CM) at-Risk contract as a lump sum or firm fixed price contract, which is inconsistent with the best practice "cost plus fee" approach employed in the industry for this type of contract. As a result, there were limitations to the pay application process and contractual right to audit clause. McGladrey recommended that the Office of School Facilities consider re-evaluating its current contract delivery methodology for CM at-Risk contracts to conform to the best practice utilized throughout the industry.

Our follow-up review confirmed McGladrey's findings. Therefore, we recommended that the Office of School Facilities, in collaboration with the School Board Attorney consider revising its standard construction contracts for CM at-Risk services, including the "Guaranteed Maximum Price (GMP) Amendment." Rather than fixing the negotiated GMP or contract price as a lump sum amount, the GMP should be structured to enable the District to recoup cost savings resulting from the difference between the actual cost of the work (subcontracts and management fee) and the GMP. We recommended that the contract specifically limits payments to the CM to the lesser of the actual cost of the work, including the CM's fee or the GMP. The Office of School Facilities agreed to implement the recommendations to include a subcontractor buyout opportunity in its CM at-Risk contracting process.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Audit of Electronic Grade Book Security and Controls (March 2014)

We audited the level of security and controls over the district's Electronic Grade Book (EGB) application. Our audit concluded that in general, the District's use of the EGB application is accomplishing the intended goal of facilitating and modernizing the recording of student academic data and making this information easily available to parents via the District's Parent Portal. However, our audit reported a strong need to implement certain controls, procedures, and best practices that would improve the security of student data and enhance overall use of the product. For example, implementing session time out, limiting the number of users with elevated access, and providing automatic notification to a teacher when a grade is changed by someone other than him or her could greatly enhance security and controls over the system. The administration generally agreed to implement the audit recommendations, with the exception of revising user password reset interval.

Ongoing Monitoring of the Capital Construction Bond Program (March 2014)

In fulfilling our audit, review and monitoring plan for the 21st Century Bond Program activities, we continued our monitoring of the activities taking place concerning the Program. The process for commissioning and awards for more than 70 year-two construction projects have commenced. In addition to reviewing the procedures for the selection and commissioning of construction professionals (i.e., architects, engineers, and construction managers), staff from OMCA have observed various solicitation, pre-negotiation, and negotiation proceedings with architectural and engineering project consultants, and construction managers, all of whom are classified as either micro or small business enterprise. The commissioning of these entities is for contracts valued up to \$500,000 or \$1,000,000, depending on the firm's classification.

We found the process to be compliant with established procedures. In addition, we have communicated to School Facilities staff other related matters that came to our attention during our observations.

INVESTIGATIVE AUDITS

- ▶ The Office of Management and Compliance Audits' Investigative Division handles cases of fraud and/or malfeasance discovered by our auditors in the course of their duties, as well as when requests for investigations are made by the Principals or other Administrators. In addition, our Investigative Division assists the investigative unit of the Miami-Dade Schools Police Department when requested. Our Assistant Chief Auditor-Investigative Division is responsible for overseeing this division.
- ▶ Regarding cases involving school audits this year, the Assistant Chief Auditor-School Audits Division and her staff conducted the majority of the audit fieldwork in collaboration with the Assistant Chief Auditor-Investigative Division and his staff.
- ▶ During 2013-2014, a total of five audit investigations were conducted. Most results were reported as part of the audit findings. Those audits corresponding to Miami Northwestern Senior, Miami Southridge Senior and Pine Lake Elementary are still ongoing and matters noted below will be reported in the next year's audits. A summary of these cases is as follows:

School Sites:

Jorge Mas Canosa Middle—During the two-year audit period ended June 30, 2013, we identified excessive as well as inappropriate spending. The documentation on file supporting some of these purchases appeared fictitious, and some disbursements were not documented at all. We contacted the associated vendors; however, some would not provide assistance. The purchases in question were made with internal funds or the school's purchasing credit card (P-Card). In addition, we could not trace to the bank cash collections totaling approximately \$2,500. According to the activity sponsors, collections were handed to the former Treasurer; however, she would not issue receipts. Some of the documentation supporting the fundraisers appeared fictitious and the operating reports disclosed discrepancies. The school had a charge account with a local supermarket chain, and several purchases made with this charge card were not only questionable but inappropriate. The former Treasurer claimed no recollection of the disbursements or the fundraisers in question. *We also discussed these matters with M-DCPS Police and presented the case to the State Attorney's Office for their advice and consideration; however, the State Attorney would not take the case because there was insufficient evidence for pursuing criminal charges (March 2014).*

INVESTIGATIVE AUDITS (Continued)

Miami Northwestern Senior-At the request of ETO administration on March 12, 2014, we conducted a review of the financial activity associated with Miami Northwestern Senior High School's cheerleading activities for the 2012-2013 fiscal year up to the current year. These financial activities should be reflected in the internal funds of the school.

According to our analysis of the cheerleaders' accounts, there was a monetary shortfall of approximately \$8,400 that could not be explained. *During the interview, the sponsor admitted to "borrowing" \$5,000 from the collections because of her financial needs. She provided a written confession stating this fact and her willingness to retribute the "borrowed" funds. In addition, as of the date of this review, one invoice for uniforms dating back to September 2012 has not been fully paid. The unpaid balance is \$14,199. The school has been unable to liquidate this debt since the aggregate balance in the cheerleaders' internal funds accounts is approximately \$5,000. This matter will be reported in the school audit report in 2014-2015.*

Miami Southridge Senior- On Wednesday, October 9, 2013, we interviewed the former Athletic Business Manager regarding a \$942 shortfall in the revenues collected and deposited in the school's internal fund account from the sale of athletic tickets during the 2012-2013 fiscal year. The discrepancy was identified during our audit of the corresponding athletic ticket inventory and athletic game reports. Several individuals were involved in the process. The former Athletic Business Manager requested and we granted additional time to research the matter and provide a response; however, he did not provide a response claiming that the school had not provided access to the records. According to the Principal, the individual had not requested or inquired about any information. This matter was referred to the Office of Professional Standards for determination.

Pine Lake Elementary - On May 27, 2014, the Office of the Controller and the Principal of Pine Lake Elementary communicated to our office some apparent discrepancies in the financial activity of the Internal Funds of the school. Specifically, the School Pictures account showed a deficit balance, which the Treasurer attempted to "correct" by making an unauthorized transfer of funds from a field trip account. In addition to the deficit in the School Pictures account, the transfer of funds from that field trip account, which had no apparent relationship to the school pictures activity, was the catalyst for this audit/investigation. Our review of the records for the 2013-2014 fiscal year up to May 31, 2014, disclosed that collections from the sale of school pictures and from the sale of student admissions to a banquet and to an out-of-county field trip could not be traced to the school's checking account. *On June 9, 2014, staff from my office visited the school to interview the Treasurer; however, she refused to be interviewed without a representative from her bargaining unit. Later that day, the union representative contacted our office to inform us that the former Treasurer refuses to be interviewed by staff from this office.*

INVESTIGATIVE AUDITS (Continued)

Robert Morgan Educational Center (adult education center)—*The school administration discovered and reported an incident* where it was alleged that the Financial Aid Officer had registered to attend a class on campus and had waived her own tuition fee for personal gain. M-DCPS Police and the Civilian Investigative Unit (CIU) collaborated in the investigation. The CIU investigation substantiated the allegation and M-DCPS Police found probable cause. Our office conducted a follow up review of certain financial aid records and procedures during the school audit. Our review of financial aid records could not determine that additional (similar) instances occurred, because of the disorganized condition of the records in the Financial Aid Office. The school staff/administration spent significant time locating some of the records provided for review and some records could not be located (March 2014).

Other Audits and Investigations

Florida School for Integrated Academics (SIA Tech) (September 2013) - This investigation of the subject charter school was prompted by a referral from the District's Office of Charter School Support. We found that approximately 50% of the attendance and FTE records we sampled for Fiscal Year 2012-2013 (FY 12-13), contained some form of discrepancy. The State Auditor General's FTE division subsequently conducted its own audit of the School's FY 12-13 attendance and FTE records, which corroborated our findings.

We also found that the School was substantially out of compliance concerning screening of teachers, staff and contractors, pursuant to Florida Statute and the Charter Agreement. Specifically, the District was not provided documentation evidencing The Jessica Lunsford Act screening for 20 employees of Job Corps, a federally funded program operating in partnership with SIA Tech.

Investigation Of Complaint Concerning Stellar Leadership Academy, Inc. (F/K/A Life Skills Center Miami-Dade, Inc.) and Life Skills Center Opa Locka, Inc. Charter Schools (September 2013) - This investigation was conducted based on a complaint forwarded to the Office of Management and Compliance Audits by the Inspector General of the Florida Department of Education.

The allegations in the complaint centered around the Governing Board and contracted management of the currently existing Stellar Leadership Academy Charter School (formerly Life Skills Center Miami-Dade), and the defunct Life Skills Center Opa Locka, which closed in January 2011.

Our investigation substantiated two of the five allegations, and resulted in the return of \$149,320 to M-DCPS. These funds had been improperly retained by these entities.

Other Audits and Investigations (Continued)

Audit of Questioned Financial Transactions of Doral Academy Charter High School (December 2013) -

We performed the audit as approved by the ABAC and the School Board at their meetings of January 29 and February 13, 2013, respectively. This audit needed to be performed based on our identification of two financial transactions we questioned during our annual review of the School's June 30, 2012, financial statements.

Our audit discovered that a "recoverable grant" of \$400,000 made by the school from education tax dollars to Doral College, a "private", "independent", unaccredited institution of higher learning, was executed on the last day of a fiscal year without the approval of the school's own Governing Board. The grant lacked transparency and provided no contractual assurance of benefit to the School.

We also discovered that the same Governing Board approved a lease agreement with an early termination clause of 150 days in favor of the landlord, and construction contracts, which together contractually subjected the school to the risk of losing several million dollars of publicly derived funds to its landlord. The landlord is owned by the same individuals who own the High School's management company. The school administration revised the lease agreement eliminating the termination clause.

CIVILIAN INVESTIGATIVE UNIT (CIU)

Mission

- ▶ To ensure equitable, effective, and efficient processing of allegations made against school personnel.
- ▶ To provide due process to all personnel subject to investigations regardless of gender, race, or ethnicity.
- ▶ To maintain the integrity and quality of personnel investigations in the District.

Duties

- ▶ Investigate *all serious non-criminal allegations* made against Miami-Dade County Public School personnel relating to School Board Policy violations that could result in disciplinary action.
- ▶ Maintain the confidentiality of all investigations and records under the provisions of applicable state laws and School Board policies.

Nature of Work

- ▶ Allegations that may be referred to CIU include but are not limited to: violations of the Code of Ethics, Standards of Ethical Conduct, inappropriate employee-student relationships, violence in the workplace (non-criminal), corporal punishment (non-criminal), and unacceptable use of the Internet and email policies. CIU does not investigate allegations of violation of civil rights.

Personnel Investigative Model (PIM)

- ▶ The model for conducting investigations of allegations made against employees of M-DCPS. This model, approved by the School Board of Miami-Dade County on November 17, 2004, includes time-sensitive parameters for processing and completing cases. Revisions to the model were approved by the School Board at its May 12, 2010 meeting to increase its effectiveness and streamline its processes. CIU staff has completed 123 cases this school year and 2 cases are pending to be closed during the 2014-2015 school year (please refer to next table).

CIVILIAN INVESTIGATIVE UNIT (CONTINUED)

Listed below is the information pertaining to cases assigned to CIU during FY 2012-2013:

- ▶ Two investigators processed a total of 125 cases during this school year.
- ▶ Of the 125 cases, 122 cases were completed, one case was returned to the Office of Professional Standards (OPS) to be revisited by the Incident Review Team (IRT) for reassignment, and two cases were pending closure at the end of the 2013-2014 fiscal year.

	Grand Total	Probable Cause	No Probable Cause	Unfounded	Supplement- No Changes	Returned to OPS	Cases Pending to Be Closed in 2014 - 2015 FY
Cases Assigned to CIU during 2013-2014FY	125	86	15	5	16	1	2

Case Terminology

- ▶ **Probable Cause** – It is more likely than not that the alleged incident occurred.
- ▶ **No Probable Cause** – The absence of probable cause.
- ▶ **Unfounded** – A baseless, unsupported accusation, not based on fact or sound evidence.
- ▶ **Supplement** – Following consideration of the written exception, if filed, the Office of Professional Standards may request a *supplemental investigative report*, if appropriate. If it was determined by CIU that the supplemental information provided did not alter the outcome of the investigation, then **no changes** would be made to the outcome of the investigation conducted by CIU. In instances where additional information is provided, via a supplemental investigative report by CIU, OPS will review the information and render a final determination.
- ▶ **Returned to OPS** – Case returned to OPS to be revisited by the IRT team for reassignment.
- ▶ **Reassigned to General Investigative Unit (GIU)** – Case reassigned to GIU because case is possibly criminal in nature.
- ▶ **Cases Pending** – Cases that remained open at the end of the present school year, to be completed during the next school year.

EXTERNAL AUDITS

Financial Audits

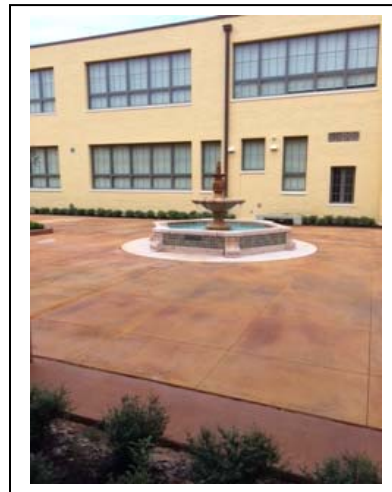
The following financial audits of the School Board and its component units were conducted by independent certified public accounting firms.

Audit	Audit Firm
Financial Statements for the Foundation for New Education Initiatives FYE 6/30/13 (November 2013)	Verdeja, DeArmas, CPA's
Annual Financial Statements, Educational Impact Fee Fund FYE 6/30/2013 (September 2013)	C. Borders – Byrd, CPA LLC
Audit of the Magnet Education Choice Association, Inc. (MECA) for FYE June 30, 2013 (January 2014)	Rodriguez, Trueba & Co., CPA, PA
Audit of WLRN Television and Radio Station for FYE June 30, 2013 (November 2013)	Rodriguez, Trueba & Co., CPA, PA
Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2013 (March 2014)	McGladrey, LLP
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (November 2013)	McGladrey, LLP
Single Audit Report FYE June 30, 2013 (March 2014)	State of Florida Auditor General

EXTERNAL AUDITS (CONTINUED)

Charter Schools

- ▶ Charter schools are required to submit independently audited financial statements each year. Our office reviews and presents these statements to the Audit and Budget Advisory Committee for discussion and transmittal to the School Board. During the year, we identified numerous charter schools which had precarious financial conditions, operations, or governance. We also identified several audits for which we found it necessary to challenge the schools and audit firms as to their adherence to applicable auditing and/or financial reporting standards.
- ▶ During the course of the year, we also worked with Charter School Operations, the School Board Attorney's Office, the Florida Department of Law Enforcement and the Miami-Dade County Property Appraiser, in charter school-related investigations. There were 126 charter schools operating during FY 2013-14, up from 120 the previous year. The audited financial statements of the 120 charter schools in FY 2012-13 were presented to the ABAC during FY 2013-14.



EXTERNAL AUDITS (CONTINUED)

COMMUNITY BASED ORGANIZATIONS (CBOs)

Providers of alternative education services are required to submit audited financial statements each year. Our office reviews and presents these audit reports to the Audit and Budget Advisory Committee for discussion and transmittal to the School Board. The following audits were received during the 2013-2014 fiscal year:

Community-Based Organizations	Audit Firm
AMIkids Miami-Dade, Inc. (September 2013)	Cross, Fernandez & Riley, LLP
Richmond-Perrine Optimist Club, Inc. (September 2013)	Nzeribe & Co., PA

REPORTS ISSUED BY OTHER ENTITIES:

OFFICE OF INSPECTOR GENERAL REPORTS (OIG)

The following reports, prepared by the Inspector General, were presented to the Audit and Budget Advisory Committee:

Audit
Fifth Annual Report FY 2012-2013 (August 2013)
OIG Final Report of Investigation Re: Violation of Industry Certification Exam Protocols for Adobe Photoshop and Dreamweaver (August 2013)
Majorette sponsor's violations of Performing Group Guidelines and School Board Policies and Procedures (June 2014)
OIG Final Report of Investigation, New Vendor Application submitted by K.T. Travel Worldwide, Inc. as cover for suspended vendor King's College Tours, Inc. (June 2014)

NON-AUDIT SERVICES AND ACTIVITIES

Training Sessions to Principals and Asst. Principals

- ▶ During the session offered to newly appointed principals in September 2013, the Assistant Chief Auditor for the School Audits Division presented and discussed topics related to the school audit process; and proffered tips/best practices for sound fiscal management, compliance with applicable procedures, oversight over payroll, and the proper safeguarding of school assets.

Observation of District's Surplus Vehicle and Equipment Auctions

- ▶ Staff from the District Audits Division performed observations of the district's surplus vehicle auction held on July 17 and 18, 2013, and the district's surplus equipment auctions held on December 7, 2013, and April 12, 2014. We reviewed the guidelines, procedures and processes governing the auctions to determine whether adequate controls are in place. Through our observation of the surplus vehicle auction, we were able to recommend certain controls that would improve the safeguarding of auction proceeds received and the personal safety of district staff. The auctions were coordinated and managed by the administration of the district's Stores and Mail Distribution Department.

Facilities and Construction Support

- ▶ During the year, the district performed a number of different activities that are necessary to execute its building facilities needs. These activities included evaluating architects', engineers', construction managers' and contractors' responses to request for qualifications issued by the district; interviewing these entities; orienting these entities on the district's processes and guidelines; and negotiating with these entities for the purpose of executing a contract with the district. The activities also include holding various committee meetings for the purpose of prequalifying contractors and establishing participation goals for providers of contracted goods and services. Staff from the District Audits Division routinely provided support as non-voting members/advisors in these activities.

Training Conducted by Civilian Investigative Unit

- ▶ The Civilian Investigative Unit trained approximately 2,000 District employees during 17 training sessions throughout the year. The information disseminated is based on non-criminal investigative case scenarios. During these sessions, employees are informed of best practices and how to prevent a situation that could lead to an employee investigation for violations of School Board rules, policies, procedures, Code of Ethics and Standards of Ethical Conduct.

- ▶ CIU conducted training regarding School Board Policies and Procedures for District employees for the Opening of Schools, that included 81 Principals and Assistant Principals, 164 Athletic and Activities school site personnel, 1559, Bus Drivers and Bus Aides, and 16 United Teachers of Dade Representatives, for a total of 1820, individuals in attendance.



Staffing Issues

School Audits Division

During FY 2013-14, two staff members were out on medical leave for a significant portion of the year. In addition, one staff member resigned in May 2014. During FY 2014-15, one Full Time (F/T) position needs to be filled.

Non-School - Operational & Performance Audits Division

One F/T audit position related to General Bond Issue activities was filled during FY 2013-14. During FY 2014-15, one F/T position related to VAB audit was authorized to be filled.

Property Audits Division

During FY 2014-15, one F/T position opened due to the retirement of one employee was filled.

Audits Investigative Division/Charter School

During FY 2014-15, one F/T position opened due to the resignation of one employee was filled.



Proposed 2014-2015 Annual Audit Plan And Tentative Budget



Office of Management and Compliance Audits



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Ms. Susie V. Castillo
Mr. Carlos L. Curbelo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to this Report:

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Assistant Chief Auditor, School Audits

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Assistant Chief Auditor, Audit Investigations Division and Civilian Investigative Unit

Mr. Trevor L. Williams, CPA
Assistant Chief Auditor, Operational and Performance Audits





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

June 18, 2014

Miami-Dade County School Board
Perla Tabares Hartman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Susie V. Castillo
Carlos L. Curbelo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado

The Honorable Chair and Members of The School Board of Miami-Dade County, Florida
Members of The School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

The proposed audit plan for fiscal year 2014-2015 was developed by supervisory personnel from the Office of Management and Compliance Audits applying a systematic risk assessment that assists us in deciding the audits that should be conducted this coming year. The plan also includes the on-going audit of the Value Adjustment Board (VAB) recommended by the Audit and Budget Advisory Committee and approved by the School Board at their respective meetings of April and May, 2014.

This year, school audits will again follow a plan whereby schools with a change of principal since the previous audit and schools with high audit risk will be given top priority. As in previous years, district-wide audits will encompass financial, construction and IT areas. We will continue our involvement in monitoring and reviewing transactions related to the 21st Century General Obligation Bond program, as well as our reviews of charter school financial statements and audits that sometimes result from those reviews.

Although the primary responsibility for the audit plan rests with the Chief Auditor and the Office of Management and Compliance Audits, we encourage and welcome input from the School Board and Audit and Budget Advisory Committee members, the Superintendent, and senior management, to make this plan complete and successful. Any changes or additions to the plan will be incorporated into its final version and brought to the September 2014 Audit and Budget Advisory Committee meeting for the Committee's consideration and recommendation. This plan will then be transmitted to the School Board for final approval.

Respectfully yours,



José F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

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Planning Process

Based on:

- **Budget Analysis**
- **Risk Based:**
 - **Materiality**
 - **Past Audit Coverage**
 - **Audit Risk**
- **Input from:**
 - **School Board**
 - **Audit and Budget Advisory Committee**
 - **Superintendent of Schools**
 - **Senior Management**



STEPS:

1. PROGRAMMATIC BUDGET ANALYSIS
2. PROGRAMMATIC RISK ASSESSMENT
3. MANAGEMENT INPUT FOR AUDIT PLAN
4. DEVELOP AUDIT PLAN
5. AUDIT PLAN APPROVAL

School Audits Division

Universe Comprised Of 355 Schools And Centers

- Areas of Audit Coverage
 - ✓ Financial statements of internal funds;
 - ✓ Payroll;
- Credit card purchases;
- Federal funds/Title I;
- Florida Education Finance Program/FTE;
- Selected aspects of school site IT and cafeteria management; and
- Controlled Property items.

School Audits Division

Changes To Audit Coverage To Maximize Resource Allocation:

- Internal Funds to be audited at **70-80%** of schools due to reduction of staff in recent years.
 - Audit priority to schools with change of Principal, schools with prior year's audit exceptions and two-year audits
 - Selection based on audit risk
 - Selected group of low-risk schools to be audited every two years
- Audits of payroll, credit card, Title I, Florida Education Finance Program (FEFP), selected aspects of school site IT and cafeteria management to be conducted at selected schools.
- Property audits to be conducted at approximately 400 locations, to account for all items with an individual acquisition cost of \$1,000 or more, and total cost of approximate \$70 million.

District Audits Division

Internal Audits

➤ Areas of Audit Coverage

- Various district support functions including:
 - ✓ Facilities and construction
 - ✓ Financial operations
 - ✓ Instructional support operations
 - ✓ Risk benefits operations
 - ✓ Food and nutrition
 - ✓ IT security and support

District Audits Division

Internal Audits

- Audit of Internal Controls Over Selected Instructional Support Agreements and Contracts (In progress)
- Audit/Review of Certain Information Related to the Miami-Dade County Value Adjustment Board Appeal Process (In progress)
- Audit of Internal Controls Over the District's Self-Insurance Program (In progress)
- Audit of Inventories (In progress)
- Audit of Construction Program Manager's Contracted Services (Not started)
- Review of Facilities Impact Fees Collection Compliance (Not started)
- Audit of District Procurement Operations (Not started)
- Audit of Designated Elements of Selected Construction Projects (Long range)
- Compliance: ESE and Risk Benefits (IDEA and HIPAA) (Long range)

District Audits Division

Information Technology Audits

- SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (In progress)
- Security Controls – Bring Your Own Device (BYOD) (Not started)
- District Office Network & Information Security (Long range)

District Audits Division

Internal Controls Over Selected Instructional Support Agreements and Contracts (In Progress)

- In educating its students and providing support for instructional staff, various service providers are contracted by M-DCPS to deliver instructional content and support. During FY 2012-2013, the period covered by the audit, such services valued at approximately \$9 million were delivered through these contracts.
- Our audit objectives are to ensure that adequate internal controls are in place over the management and use of said contracts to determine service providers' compliance with contract deliverables and expectations, and to determine the propriety of the contracted services. We have completed our audit fieldwork and we are drafting the report.

District Audits Division

Audit/Review of Certain Information Related to the Miami-Dade County Value Adjustment Board Appeal Process (In progress)

- In recent years, the Miami-Dade County Property Appraiser's (PA) office has experienced delays in certifying the annual property tax roll. During the last two years, property tax assessment appeals to the Miami-Dade County Value Adjustment Board (VAB) have been reported at 86,139 and 72,503, for FY 2012-13 and 2013-14, respectively. These delays have resulted in multi-million dollars shortfalls in revenue to M-DCPS, which prompted the Superintendent to ask us to conduct an audit of this process. We submitted his request to the ABAC at its special meeting of April 22, 2014. The ABAC recommended to the School Board that the audit be conducted, which the School Board approved at its meeting of May 7, 2014.
- Our audit objectives are to examine certain information received from the VAB and to review the processes in place at the VAB and PA offices relative to the tax appeal process to determine the cause for delay and make recommendations to expedite the process. We have initiated our audit fieldwork.

District Audits Division

District's Self-insurance Program (In Progress)

- The District's self-insurance program is in its fifth year of operations. For the self-insurance fund, the District reported total operating expenses of \$353 million and operating income of \$12 million in its audited financial statements for the fiscal year ended June 30, 2013.
- The audit will focus on determining whether adequate internal controls and safeguards are in place over the program's operations, including its oversight of the third-party administrator, cost-control strategies, and plan information reporting. We are in the preliminary planning stage.

District Audits Division

Audit of Year-End Inventories

- Annually, as an augmentation to the work of the external auditors in their audit of the district's financial statements, we perform an audit of the inventories, which includes observing and test-counting the inventories held at the four inventory-holding units (Food and Nutrition, Transportation, Maintenance Materials and Stores and Mail Distribution) at the end of the fiscal year. The total inventory reported as of June 30, 2013, the last complete year of operations, was \$9.2 million.
- We will review the each department's physical inventory counting procedures, observe the departments' personnel performance of the count, test count the departments' inventory quantities, verify the cost of the inventories, and determine whether adequate internal controls and safeguards are in place over the management of the departments' inventories.

District Audits Division

Audit of Construction Program Manager's Contracted Services (Not Started)

- At its May 2013 meeting, the School Board awarded a contract to Parsons Brinckerhoff, Inc., to provide program management support services for the District's capital program. It is anticipated that over the term of the contract, the program manager will manage a series of construction contracts valued at approximately \$1.2 billion.
- Our audit objectives are to evaluate the program manager's performance to ensure compliance with critical contract provisions. We will commence this audit when other ongoing audits are completed and resources become available.

District Audits Division

Review of Facilities Impact Fees Collection Compliance (Not Started)

- Through an Interlocal Agreement, Miami-Dade County is responsible for imposing and collecting educational facilities impact fees on new residential developments and additions. During the County's fiscal year which ended on September 30, 2013, the County reported collections of approximately \$21 million, which the District's administration believes is considerably less than it should be, when taking into account the increased pace of construction throughout the county and collection trends over the last few years.
- Pursuant to a request from the administration, we will review impact fees assessment and collection data to ensure that M-DCPS is receiving the amount it should, in accordance with the Interlocal Agreement, and will report any findings at the conclusion of our audit.

District Audits Division

Audit of District Procurement Operations (Not Started)

- During FY 2012-13, (the last complete year of operations), Procurement Management Services processed over \$308 million in purchases of goods and services. In addition, the department is responsible for letting numerous Requests for Information (RFI), Request for Proposals (RFP), Request for Qualifications (RFQ), bids and contracts. A Chief Procurement Officer was recently hired and the District administration has asked us to conduct an audit to provide her with an assessment of the department.
- We will evaluate the procurement processes to ensure that internal controls are adequate, that the necessary safeguards are in place and ascertain the effectiveness of the processes.

District Audits Division

Audit of Designated Elements of Selected Construction Projects (Not Started)

- As of April 2014, there were 146 ongoing construction projects at various completion stages, (i.e., planning, design, construction and bidding) which are funded from GOB monies and scheduled for completion in years one and two. The total budget for these projects was approximately \$340 million. Nine of these projects are in either the construction or bidding phase, with more projects expected to migrate to these phases during FY 2014-15.
- Our audit objective is to review various selected elements of the award, design and construction processes for selected projects to determine whether adequate internal and management controls are being implemented. We will commence this audit when other ongoing audits are complete and resources become available.

District Audits Division

Compliance: ESE and Risk Benefit (IDEA and HIPAA) **(Not Started)**

- The district collects and stores, from its students and employees, certain information that is protected under the Federal Individuals with Disabilities Education Act (IDEA) and Health Insurance Portability and Accountability Act (HIPAA). Non-compliance with the patient protection aspects of these acts may result in severe consequences for the violator.
- We will evaluate the processes for collecting and storing these data to ensure that controls are adequate and the necessary safeguards are in place to ascertain compliance with the applicable provisions of these two acts. We will commence this audit when other ongoing audits are complete and resources become available.

District Audits Division

Information Technology Audits

SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (In Progress)

- The District's successful implementation of SAP brings with it a new set of risks, including appropriate management of systems access and security controls. In addition, some legacy systems continue to handle critical functions. Until those systems are retired, continued monitoring of appropriate access is required.
- We will review the procedures and methods used to grant systems access to ensure that only authorized employees are able to review and/or modify data. Procedures for periodic monitoring and reconciliation of access based on need and roles will also be examined for both SAP and legacy. The fieldwork on this audit is on hold due to other audit priorities, but will be resumed when those priorities are completed and resources become available.

District Audits Division

Security Controls – Bring Your Own Device (BYOD) Not Started

- The use of Smart phones, tablets, and other network-capable mobile devices have become established within M-DCPS as an integral means of communicating, accessing real-time information, and supporting the mission and educational goals of both staff and students. These devices also introduce new risks to the organization.
- Our objective will be to evaluate existing mechanisms for mitigating risk, including network segregation strategies, device protection (virus/malware), managing loss/theft of devices, privacy controls/filtering, over-the-air (OTA) device management and compliance with standards, policies, and best practices. We will commence this audit when other ongoing audits are complete and resources become available.

District Audits Division (Long Range Audit)

ITS - Information Technology Security Controls

- The District relies extensively on information technology (IT) systems and electronic data to support its programs. Accordingly, the security of these systems and data are essential to avoiding disruptions in critical operations, data tampering, and inappropriate disclosure of sensitive information.
- Our objective will be to evaluate and report on general IT controls, including: Security Management, Access Controls, Configuration Management, Separation of Duties, and Contingency Planning.

Forensic, Investigative, Charter Schools Audits Division

Perform Forensic Audits In The Following Areas:

- Misappropriation of funds
- Missing inventory/equipment
- Payroll fraud and other fraudulent activity
- Charter school misfeasance/malfeasance
- Attestation services or similar audit services related to charter schools, as requested by the School Board, Audit and Budget Advisory Committee and/or District administration.

Oversee Investigations Conducted By:

- Civilian Investigative Unit – CIU

Support And Collaborate With:

- Miami-Dade School Police
- Office of Professional Standards – OPS
- Other district offices
- State Attorney's Office
- Office of Inspector General – OIG

Forensic, Investigative, Charter Schools Audits Division

Charter School Audits/Investigations

- Audit of Keys Gate Charter High School (Carryover)
- Charter School Start-Up and Continuation Grants and the Practice of Nesting (Carryover)
- Follow-up on the Academy of Arts and Minds Charter School Investigation (Carryover)

Forensic, Investigative, Charter Schools Audits Division

Audit of Keys Gate Charter High School (KGCHS) (Carryover)

As of June 30, 2013, KGCHS had a Total Net Position deficit of \$(2,609,471), a Total Fund Balance of \$258,494 and an Unassigned Fund Balance position of \$5,385. Operationally, the School had a deficit of \$(1,087,488) in its Statement of Activities and a deficit of \$(888,345) in its Statement of Revenues, Expenditures and Changes in Fund Balance.

Due to concerns about this school's financial viability and certain real estate and financing activities, identified during our annual review of the School's June 30, 2012 and 2013, audited financial statements, we will conduct an audit pursuant to the "right to audit" clause in the charter contract between the School and the School Board.

The main objective and scope of the audit will be to gain an understanding of fairly complex real estate arrangements and financing transactions, and communicate the results to our School Board, ABAC and the District's Administration in accordance with the sponsor's statutory oversight responsibilities.

Forensic, Investigative, Charter Schools Audits Division

Charter School Start-up and Continuation Grants and the Practice of Nesting (Carryover)

Florida public charter schools are eligible to receive pass-through competitive grants issued by the U.S. Department of Education through the Charter School Program (CSP) for planning, program design, and initial implementation of the charter school; and for supporting the dissemination of successful practices and other information about charter schools.

Nesting is a practice whereby two charter schools are housed in one location, often with one principal and sharing resources and key staff. Concerns were voiced by the ABAC and other entities that the CSP grants have been vulnerable to abuse through Nesting. The Florida Department of Education and Miami-Dade County Schools have made changes over the past few years to the process of determining, distributing and monitoring CSP grant funds, and monitoring nested charter schools.

The objectives of this audit will include reporting on the changes, trends and current conditions of the CSP grants and Nesting activities. We will also review other audits and monitoring activities of the CSP grants, including the OMB Circular A-133 Single Audit.

Forensic, Investigative, Charter Schools Audits Division

Follow-Up on the Academy of Arts and Minds Charter School Investigation(Carryover)

We will follow up on the status of corrections of deficiencies identified in OMCA's Investigation of Allegations Concerning Academy of Arts and Minds Charter School, which was presented to the ABAC at its June 26, 2012 meeting.

Other Non-Audit Services

Community Based Organization Fiscal Review

- During FY 2013-2014 the District contracted with two (2) community-based organizations primarily for alternative education. We will review audits submitted by these entities and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.

Charter School Fiscal Review

- During FY 2013-2014, the District sponsored 126 charter schools with student enrollment of approximately 52,000 and estimated revenue in excess of \$375 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety, and academic performance of these charter schools. We will review independent financial audit reports submitted by these charter schools and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.
- We will also facilitate the District's process for addressing charter schools which meet one or more conditions of the financial emergency statute, by working with the administration.

Other Non-Audit Services

Participation On Various Committees (As Non-voting Member):

- Charter School Technical Assistance Team
 - Conduct initial technical review of charter school applications
- Charter School Application Review Committee
 - Evaluate charter school applicants to recommend approval/denial to Superintendent of Schools
- Charter School Contract Review Committee
 - Negotiate contract terms of approved charter school applications and amendment to charter school contracts
- Consulting Contract Review Committee
 - Evaluate contract terms
- Construction Services Selection Committee
 - Evaluation of architects, engineers, construction managers, and consultants proposals to recommend approval to Superintendent of Schools
- Construction Contractor Pre-qualification Committee
 - Evaluation of contractor applicants to recommend approval/denial for pre-qualification to Superintendent of Schools

Other Non-Audit Services

Participation On Various Committees (As Non-voting Member) – continued:

- Small/Micro Business Enterprise (S/MBE) Program Goal setting Committee
 - Establish goals for participation in the SBE program.

- 21st Century Schools Bond Advisory Committee
 - Provide oversight and guidance in executing the 21st Century Schools GOB Capital Program.

Other Non-Audit Services

Review of External Audit Reports

- Certified financial statements are provided by other agencies per contract and School Board policies.

Coordinate And Provide Contract Oversight Of External Auditors

- District financial statements, Single Audit, Impact Fees, WLRN, Magnet Education Choice Association, Inc., Miami-Dade Coalition for Community Education, Inc., Dade Schools Athletic Foundation, Inc. and The Foundation for New Education Initiatives, Inc. all require audits from external CPAs. We will coordinate the selection of external auditors, review their audits and submit them to the Audit and Budget Advisory Committee for its review, input and transmittal to the School Board.

Other Non-Audit Services

Prior Audit Recommendations Follow-Up

- Audit follow-up is a function of the internal audit process and is required by School Board Policy 6835 *Procedures-Performance of Auditing Activities and Communication of Results*.
- Implementation of prior audit recommendations will continue to be monitored and reported to the Audit and Budget Advisory Committee.

Other Non-Audit Services

Advisory Role To M-DCPS Management

- Assist management in maintaining an internal control environment that is conducive to safeguarding and preserving the school system's assets and resources, improving the general effectiveness of its operations, and assuring compliance with applicable laws, policies and procedures. Particularly, the School Audits Division provides recommendations to principals on best practices and financial procedures.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT STAFFING

Resource Allocation	As of June 30, 2013	As of June 30, 2014	Δ	Comments
Chief Auditor & Administrative Support Staff	3	3	No Change	
School Audits Division	14	14 ⁽¹⁾	No Change	Two staff members out on medical leave for a significant portion of the year. In addition, one staff member resigned in May 2014. For 2014-15, one F/T open position to fill. See Note (1).
Non-School - Operational & Performance Audits Division	3	4	+33%	F/T audit position related to General Bond Issue activities filled during this fiscal year. For 2014-15, one F/T position related to VAB audit is authorized to be filled. See Note (3).
Information Technology Division	1	1	No Change	
Property Audits Division	4	4 ⁽²⁾	No Change	For 2014-15, one F/T open position to fill. Open F/T position due to the recent retirement of one employee from this division. See Note (2).
Audit Investigative Division/Charter School	4	3	-25%	For 2014-15, one F/T open position to fill. Open F/T position due to the recent resignation of one employee from this division.
Civilian Investigative Unit	3	3	No Change	
Totals	32	32⁽⁴⁾	No Change	See Note (4).

Notes:

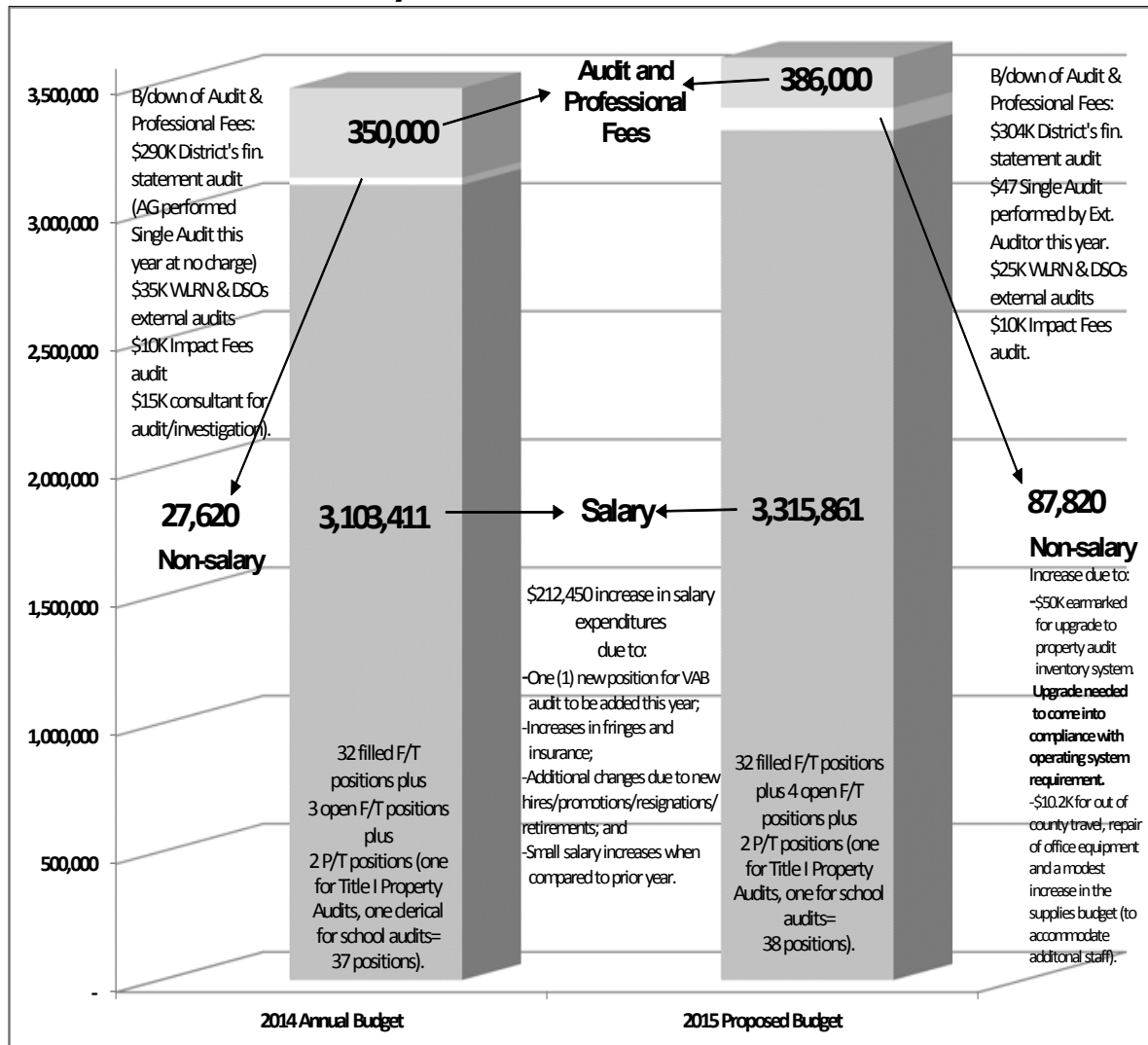
(1) Two Full-Time (F/T) audit positions fully dedicated to FTE audits and one F/T audit position dedicated to Title I audits.

(2) In addition to the F/T positions, one P/T position to conduct property audits of equipment purchased with grant funds and another P/T position to assist with general work.

(3) Value Adjustment Board (VAB) audit added at the request of the Superintendent; recommended by the ABAC and approved by the School Board. One fully dedicated F/T position to be added this year.

(4) Budget for 2014-15 based on 32 actual filled F/T positions and four (4) open F/T positions for a total of 36 F/T positions and 2 P/T positions.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



Tentative budget for FY 2014-2015 includes \$386K audit fees for financial audit of the District, external audits of WLRN-Radio & TV Stations, Direct Support Organizations and Impact Fees. Single audit to be conducted by external auditor this year (\$47K). Salary increases due to one additional position for the Value Adjustment Board (VAB) audit and upward adjustments to salary/fringes in 2014-15. Non-Salary expenditures includes \$50,000 for upgrades to the property inventory system. This comprises the scanners used by the property auditors and software to interface with district and property accounts. Upgrade is required to come into compliance with requirements of the operating system. Budget for out of county travel added this year.

MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

Federal and State Laws

The School Board of Miami-Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964 as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA) as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963 as amended - prohibits gender discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA) – Prohibits discrimination against employees or applicants because of genetic information.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 205.07 (Florida Statutes), which stipulate categorical preferences for employment.

In Addition:

School Board Policies 1362, 3362, 4362, and 5517 - Prohibit harassment and/or discrimination against students, employees, or applicants on the basis of sex, race, color, ethnic or national origin, religion, marital status, disability, genetic information, age, political beliefs, sexual orientation, gender, gender identification, social and family background, linguistic preference, pregnancy, and any other legally prohibited basis. Retaliation for engaging in a protected activity is also prohibited.

Revised: (07-11)

Proposed 2014-2015 Annual Audit Plan And
Tentative Budget
JUNE 2014



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