

MIAMI-DADE COUNTY PUBLIC SCHOOLS



2013 ANNUAL REPORT



OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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

Ms. Maria T. Gonzalez, CPA
Assistant Chief Auditor, School Audits

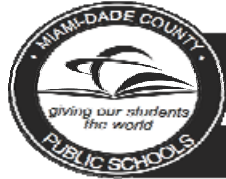
Mr. Trevor L. Williams, CPA
Assistant Chief Auditor, Operational and Performance Audits

Mr. Julio C. Miranda, CPA, CFE
Assistant Chief Auditor, Investigations

Staff from the Office of Management and Compliance Audits

**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

Miami-Dade County School Board

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

September 10, 2013

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:

It is with pride that I present to you the 2013 Annual Report from the Office of Management and Compliance Audits (OMCA). School Board Policy 6835 requires the Chief Auditor to submit to the Audit and Budget Advisory Committee (ABAC), the Superintendent, and the School Board for review a comprehensive Audit Plan for a year. The plan should identify the overall audit scope of scheduled examinations in both financial and non-financial areas. This plan includes two audits related to the program manager's contract entered into by the District pursuant to the General Obligation Bond Issue approved by the voters of Miami-Dade County in November 2012. In order to conduct these audits, the Superintendent proposed and the School Board funded an audit position which we intend to fill in October. Another position will likely be needed as the program grows in the near future and the areas subject to audit expand. In addition to the Audit Plan for the 2013-2014 fiscal year, this report contains a summary of the auditing activities that took place during the 2012-2013 fiscal year. The Audit Plan was drafted by the OMCA and presented to the ABAC at its June meeting as a proposal. During the summer, we sought input from stakeholders and developed the final Plan for School Board approval.

The end of fiscal year 2012-2013 marked yet another year of financial challenges for the School District, which resulted in reorganizations of functions and staff, and workforce reductions. We at the OMCA also made some sacrifices and incurred personnel losses. As is usually the case, we received requests for audits and investigations by the administration which were not anticipated in the Audit Plan, but that we considered necessary to conduct. As you will see

Page 2

throughout the pages of the summary of activities that follow, *we not only worked harder, but smarter to capitalize on our limited resources and basically completed the ambitious audit plan we had proposed.* Through this harder and smarter approach of working, we were able to identify overcharges of \$1 million by a provider of health services for which the District is pursuing reimbursement. These achievements could not have been realized without the hard work and untiring efforts of staff from the OMCA, the remarkable leadership of the School Board, and the unwavering support of the ABAC.

I would be remiss if I did not acknowledge the collegiality extended to me by the Superintendent and the administration, as well as the School Board Attorney and the atmosphere of mutual respect and collaboration under which we operated throughout the year.

Respectfully yours,

A handwritten signature in cursive script that reads "José F. Montes de Oca". The signature is written in black ink and is positioned above the typed name.

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

TABLE OF CONTENTS

Page
Number

2013 Annual Report

About Our Office	1
Role of the Chief Auditor and the Budget Advisory Committee	2
Audit and Budget Advisory Committee Membership	3
Organizational Chart	4
Audit Reports Presented.....	5
School Audits	6
Property Audits.....	12
District Audits.....	13
Investigative Audits.....	16
Civilian Investigative Unit	18
External Audits	20
Financial Audits	21
Charter School Audits	22
Community Based Organizations Audits	23
Reports Issued by Other Entities	23
Non-Audit Services and Activities	24

2014 Annual Audit Plan and Budget

Introductory Memorandum.....	28
Planning Process	29
School Audits Division	30
District Audits Division.....	32
Forensic/Investigative/Charter Schools Audits Division	50
Property Audits/Year-End Inventories	57
Other Non-Audit Services	58
Internal Audit/Civilian Investigative Unit Staffing	65
Internal Audit/Civilian Investigative Unit Comparative Budget	66

ABOUT OUR OFFICE

- ▶ The Office of Management and Compliance Audits was established by the School Board 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 the School Board 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 2012-2013 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

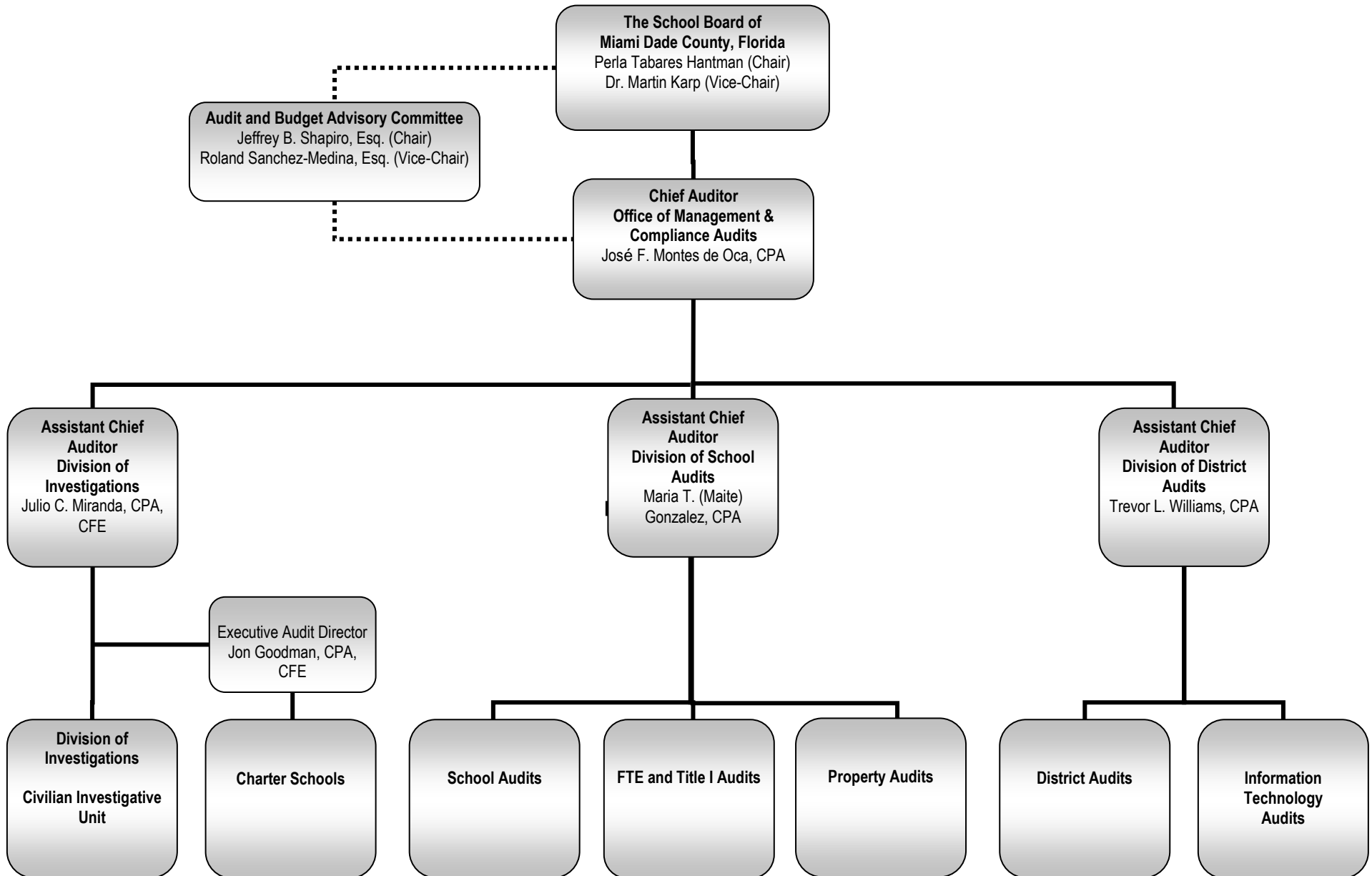
- ▶ The School Board Audit and Budget Advisory Committee advises on auditing activities at the school district. ***This includes the work and the activities of the internal auditors from the Office of Management and Compliance Audits.***
- ▶ The Audit and Budget Advisory Committee reviews the work of the external auditors, the work of 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 Superintendent and the School Board 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 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.

OUR RELATIONSHIP WITH THE AUDIT AND BUDGET ADVISORY COMMITTEE (ABAC)

- ▶ 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.

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. Mayowa F. Odusanya, Esq.	Voting Member	Law Practice Professional Odusanya Law Offices, P.A.	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, School Board Vice-Chair
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. Teri Weinstein (Trivizas)	Voting Member	Sea Coast Inspection Services, Inc. Marine Surveying/Cargo Inspection Company	Dr. Lawrence S. Feldman
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 Office of Management and Compliance Audits into six categories:

- ▶ School Audits;
- ▶ Property Audits;
- ▶ District Audits;
- ▶ Investigative Audits;
- ▶ External Audits; and
- ▶ 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

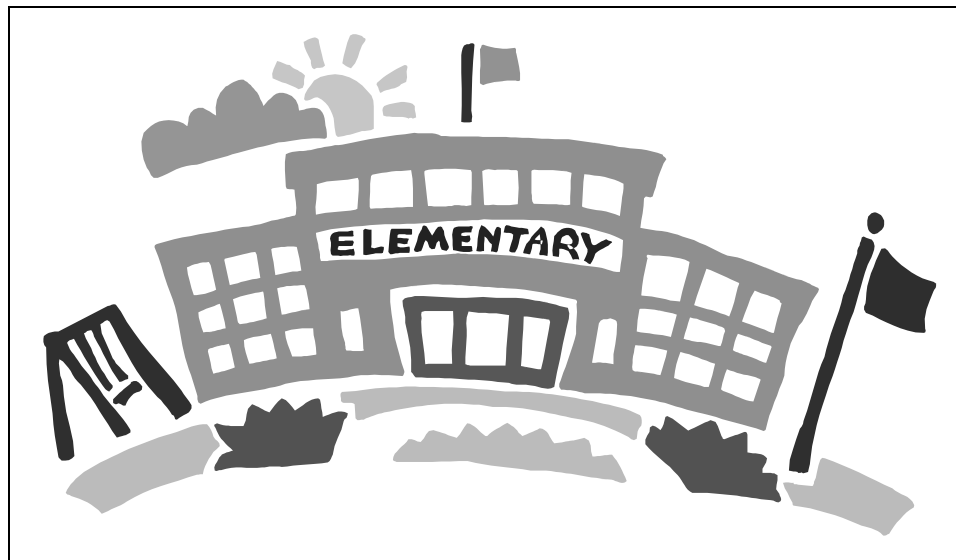
Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 *School Board Responsible for Internal Funds*, require school boards to provide for an annual audit of school's internal funds.

The scope of our school audits is based on individual evaluations at each and every school, considering materiality, past audit findings/experience, size of school staff, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school. At all schools, we reviewed internal funds and property procedures. At selected schools, we reviewed the following:

- ▶ **Payroll records and procedures at 95 schools (36%).** 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. In FY 2011-2012, we reviewed payroll at 122 schools.
- ▶ **The Purchasing Credit Card Program (P-Card) at 37 schools (14%).** 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. In FY 2011-2012, we reviewed P-Card procedures at 51 schools.
- ▶ **Data security management report and school site IT security audit assessment at 29 schools (11%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate. At **3 of the 29** schools, audit staff conducted a more in-depth review of school site IT equipment location and security. In FY 2011-2012, we reviewed IT security at 62 schools, of which 14 schools received a more thorough review.
- ▶ **Title I Program audits were selectively conducted at 11 schools (4%).** At the 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. In FY 2011-2012, we conducted Title I audits at 14 schools.

SCHOOL AUDITS (CONTINUED)

- ▶ **Full-Time Equivalent (FTE) audits were conducted at 62 schools (23%) 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. In FY 2011-2012, we conducted FTE audits at 49 schools. Consequently, the number of FTE audits conducted this year represented a marked improvement over the prior year's FTE audit activity.

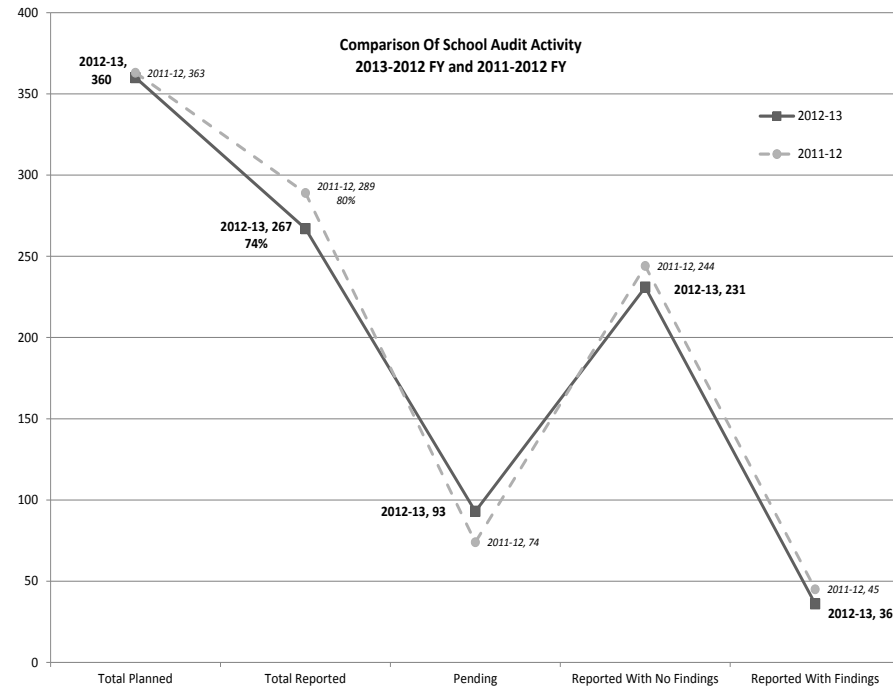


SCHOOL AUDITS (CONTINUED)

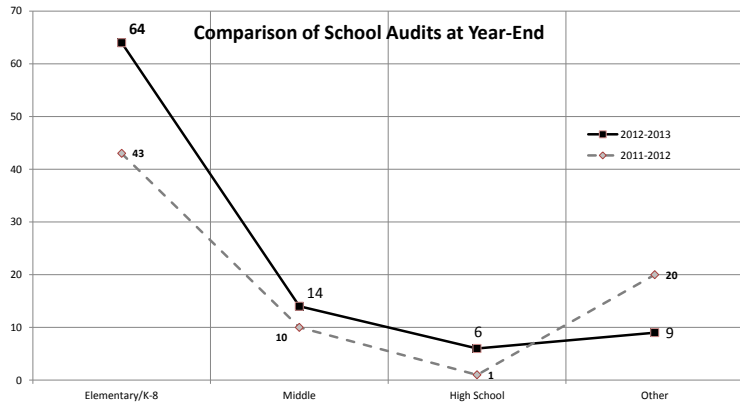
SCHOOL AUDITS--SUMMARY OF RESULTS

► We found that of 267 schools audited in FY 2012-2013, 231 schools (87%) conducted their financial affairs in accordance with district policies and maintained good internal controls. However, at 36 schools (13%), there were opportunities for improvement. The number of schools with exceptions decreased when compared to last year's results where, of 289 schools audited, 45 schools (16%) were cited.

► The Audit Plan for the 2012-2013 fiscal year mapped the school audit coverage at 70%-80% of the school sites, which we met by completing a total of 267 school audits to be performed for the 2012-2013 fiscal year. Our audit coverage represented 74% of the total audit population. In the 2011-2012 fiscal year, we audited 289 of 363 schools (80%).

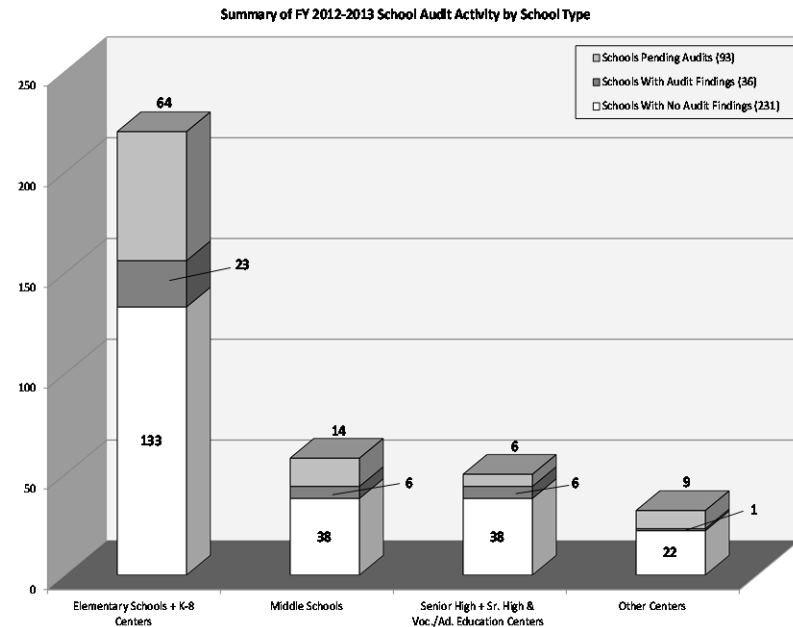


- Compared to the previous year's audit activity (FY 2011-2012), the total number of schools audited decreased by 22 schools. This resulted not only from non-instructional staff reductions and increased workload of staff at school sites (which often times negatively impacted the timelines for completing the assignments), but from a reduction in staff assigned to the School Audits Division toward the end of the 2012-2013 fiscal year (due to two audit staff promotions and one auditor on parental leave). Also, some of the audits this year, as evidenced by the types and total number of findings reported throughout the year, required additional time and effort.
- When compared to last year's school audit results, we noted a decrease in the number of schools with audit findings (36 schools this year as compared to 45 schools in the previous year).

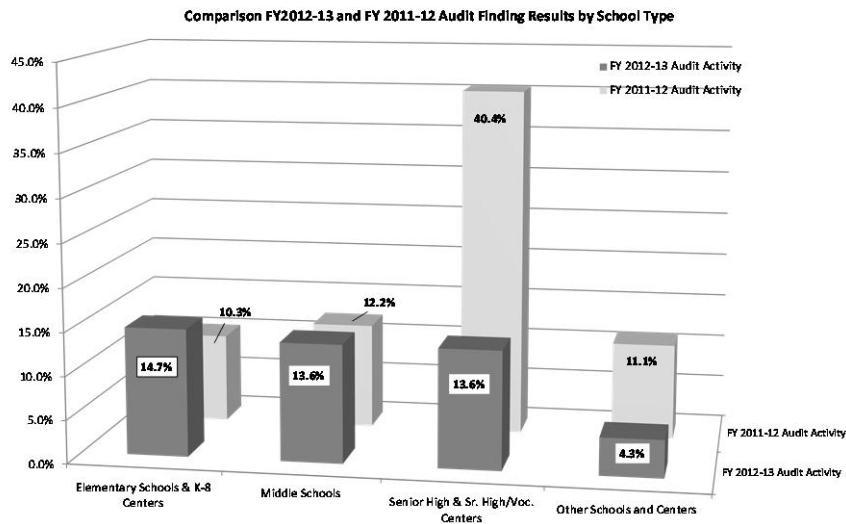


► We closed the 2012-2013 fiscal year with a total of 93 schools pending audits. For 2011-2012, 74 schools were pending audits at the close of the year. These included 43 elementary/K-8 centers, 10 middle schools, 1 senior high and 20 other centers.

► The graph to the right depicts the breakdown of schools arranged by Elementary/K-8, Middle, Senior High and Other schools (Adult, Alternative, Special Education 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 93 schools that were pending audits. These consist of 64 elementary/K-8 centers, 14 middle schools, 6 senior high and 9 adult education centers.

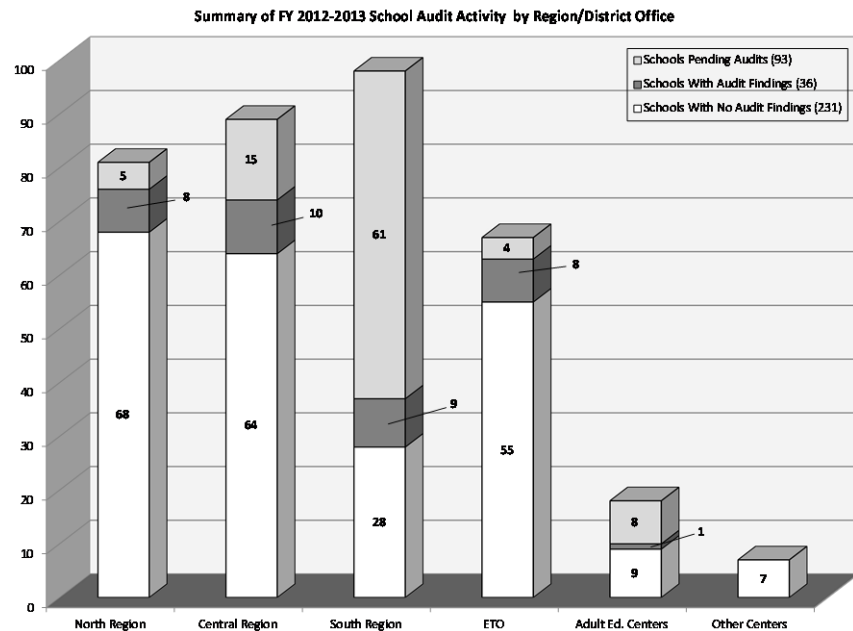


SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

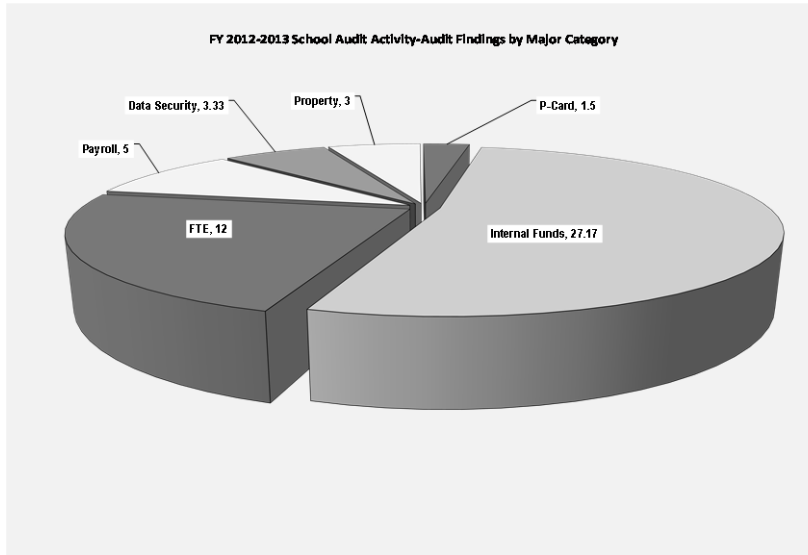


- ▶ At the time the fiscal year concluded, we were in the process of auditing schools in the South Region, of which 61 school audits could not be completed in time for publication.
- ▶ School audits pending at year-end will be published next year as two-year audits.

- ▶ The graph on the left shows that by comparing last year's and this year's results, elementary schools and K-8 centers require greater attention. Also, this comparison shows a marked improvement in the audit results of senior high schools.
- ▶ The breakdown of school audits reported by region in the graph below shows the heaviest concentration of schools with audit findings in the South Region, followed by Central, ETO and North regions, respectively.

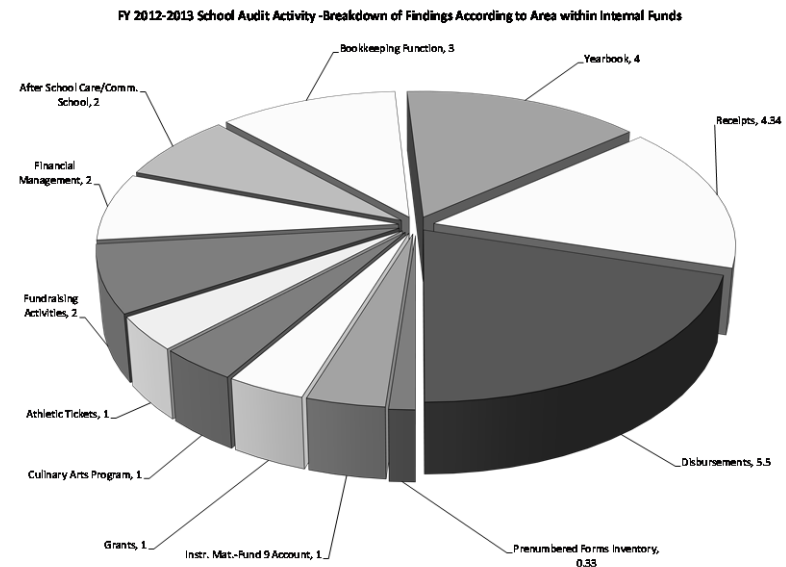


SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)



- ▶ As the pie chart on the left depicts, school audit reports cited a total of 56 audit findings (at 36 schools).
- ▶ Findings were mostly in the area of internal funds, followed by FTE records/procedures and payroll time and attendance. We also reported findings in the areas of data security, the management of property, and P-card purchases and procedures, as the chart reflects. In FY 2011-2012, the total number of findings was 87.

- ▶ A breakdown of the findings within the area of internal funds shows that, similar to the prior year, non-compliance with disbursement procedures was the area most cited in our audits (see shaded area representing about 6 of 27 findings in Internal Funds, or 22%). In FY 2011-2012, 17 of 56 findings in internal funds related to disbursements.



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*.
- ▶ In order to comply with the Rules of the Auditor General, Chapter 10.400, and Florida Statutes, Chapter 274.02, a complete physical inventory of all tangible property shall be taken annually, be compared with the property record, and discrepancies must be identified and reconciled.
- ▶ 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 2012-2013, our Property Auditors visited almost 410 work locations (which included all school sites) and accounted for approximately 91,000 items with a combined cost of almost \$368 million. Approximately \$178,350 (0.049%) was reported as "unlocated" and close to \$172,000 (0.047%) was reported missing through the Plant Security Report process. The combined loss rate was 0.096%, which is minimal when compared to the total cost. In FY 2011-2012, we visited close to 360 locations and reported \$372.6 million in property cost and the combined loss rate was 0.09%. This year, although approximately 50 additional locations were visited, the total number of items verified and the resulting property losses were very similar to the results reported in the prior year. This demonstrates that school site and district administration continue to successfully enforce controls over the safeguarding of equipment and effectively maintain their inventories.

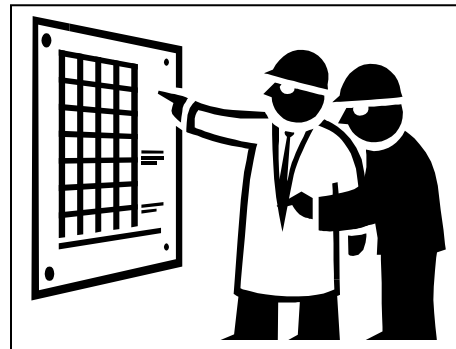
PHYSICAL INVENTORY RESULTS 2012-2013 FISCAL YEAR					
School/Department	Total Property Cost	Total Property That Could Not Be Accounted For			Percentage Unaccounted For
		Per Physical Inventory	Per Plant Security Reports	Total	
North	\$ 54,590,676	\$ 15,772	\$ 31,336	\$ 47,108	0.086%
Central	43,873,711	2,132	30,478	32,610	0.074%
South	59,826,802	39,912	22,044	61,956	0.104%
ETO	44,486,311	98,110	38,626	136,736	0.307%
Other Centers	14,984,655	2,649	20,943	25,690	0.171%
District	149,884,263	19,773	28,518	48,291	0.032%
Totals	\$ 367,646,418	\$ 178,348	\$ 171,945	\$ 352,391	0.096%

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, etc. The scope and objective of the audit and reviews performed by the District Audits Division usually involves 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 audits and reviews, which assess a unit's or program's compliance with established guidelines. Each audit and review conducted includes a focus on 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, 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, 2012 (December 2012)

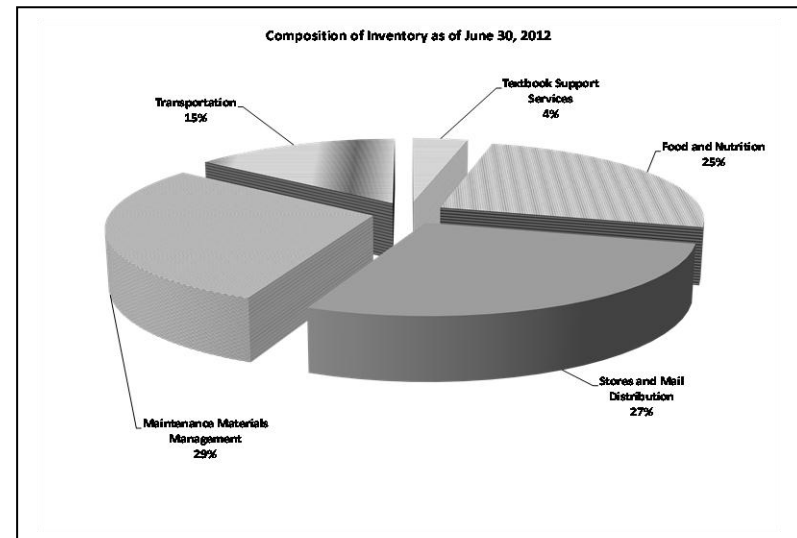
Department/Unit	Perpetual Inventory	Adjustment to Perpetual	General Ledger 6/30/12
Textbook Support Services (1)	\$ -	\$ 370,164	\$ 370,164
Food and Nutrition	2,378,185	-	2,378,185
Stores and Mail Distribution (2)	2,568,315	6,466	2,574,781
Maintenance Materials Management (3)	2,725,824	16,515	2,742,339
Transportation (4)	<u>1,379,290</u>	<u>7</u>	<u>1,379,297</u>
Total Inventory	<u>\$ 9,051,614</u>	<u>\$ 393,152</u>	<u>\$ 9,444,766</u>

- We examined the inventory balances as reported in the unaudited Annual Financial for the fiscal year ended June 30, 2012 for Textbook Support Services, the Department of Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management, and the Department of Transportation.

Notes:

- (1) No perpetual inventory system is maintained for textbooks.
- (2) Adjustment consisted of \$6,323 from activity after the cut-off date and \$143 in department count adjustments.
- (3) Adjustment consisted of \$16,515 from inventory activity after the cut-off date and included in our annual physical inventory count.
- (4) Adjustment to perpetual was immaterial.

- Year-end inventories decreased 28% from \$13 million at June 30, 2011 to \$9.4 million at June 30, 2012.
- In our opinion, the inventories were fairly stated in the unaudited Annual Financial. We found the internal controls over the inventory counting and reconciling processes for the five inventories to be satisfactory.
- The graph to the right depicts the composition of the inventory as of June 30, 2012.



DISTRICT AUDITS - SUMMARY OF RESULTS (CONTINUED)

Audit of Selected Special Education Service Contracts (December 2012)

Our audit concluded that, in total, the amount paid (\$1.6 million) by M-DCPS was less than the total amount billable, as calculated by us, by approximately \$66,000 or 4.10% of the total amount invoiced. In performing our audit to determine the validity of management's concerns, our review of the internal controls over the payment process as well as our examination of the agencies' monthly billings disclosed areas needing improvement. We have provided recommendations to improve internal controls. For example, payment terms need to be clearly defined to more readily facilitate the contract's enforceability and implementation. The payment process is inverted; whereby SPED staff instructs the agencies on the amount to invoice the District as opposed to the agencies providing an independently generated invoice for the services provided. Consistency in attendance records and other supporting documentation is needed as well as improvement in the payment reconciliation process.

Audit of The Miami Partnership for Action in Communities Task Force (Project MPACT)(June 2013)

At the request of School Operations, we performed an audit of The Miami Partnership for Action in Communities Task Force (Project MPACT), a now defunct program of the school district. The audit examined the program's activities from the 2002-03 through the 2009-10 fiscal years while it was still active in the District. Although we completed our audit fieldwork and wrote a final report in August 2010, the issuance of our audit report was delayed due to several ongoing concurrent investigations of Project MPACT by the Miami-Dade County Schools Police Department, the State Attorney's Office, and the U.S. Department of Labor's Office of Inspector General. Those investigations were recently closed out and we were permitted to issue the report.

Our audit disclosed numerous instances of material weaknesses, misfeasance, lax management practices, apparent conflicts of interest, waste, abuse and a small case of payroll fraud. We also noted several instances of non-compliance with grant requirements.

Bond Issue for 21st Century Schools – Audit, Review and Monitoring Plan (December 2012/January 2013)

Upon the passage of the \$1.2 billion general obligation bond (GOB) referendum and at the request of the Audit and Budget Advisory Committee (ABAC), we developed a preliminary plan for auditing, reviewing and monitoring the activities of the District's Facilities operations for implementing the GOB program. The plan was approved by the ABAC and we have commenced certain aspects of the plan, on a limited basis.

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 2012-2013, a total of six audit investigations were reported in the school audits; and results were reported as part of the audit findings. A summary of these cases is as follows:

School Sites:

Fienberg/Fisher K-8 Center – The Principal reported an incident to M-DCPS School Police where it was alleged that the former Treasurer had made several unauthorized purchases for the school's music program without the Principal's knowledge and consent, and for the possible benefit of the music teacher at the school who is her spouse. Our review confirmed that the purchases were made without the authorization of the Principal. However, we could not conclude that they were made for the personal benefit of the teacher, since the purported items did not bear any distinctive markings that would set them apart from similar items stored in the music room. Subsequent to the investigation, this former Treasurer resigned from M-DCPS. We worked this case in collaboration with M-DCPS Police.

Oak Grove Elementary – The former Treasurer misappropriated approximately \$43,000 by forging the signatures of the school Principal or her administrative designee, and/or the signature of the payee in nearly 100 internal fund checks. Payees consisted of relatives, friends and co-workers. Regarding those checks issued to relatives and friends, the former Treasurer told us the individuals would cash the checks and give the monies back to her. Concerning those checks issued to co-workers, we found that she processed them as "employee reimbursements" by fraudulently endorsing and cashing from the school collections. The total amount misappropriated also included monies that she collected from the sale of school pictures and field trip admissions, and that we could not trace to any internal fund account or the bank. We worked this case in collaboration with M-DCPS Police. The authorities charged the former Treasurer with Grand Theft and Uttering Forged Instruments; and she was booked and jailed. The case was referred to the State Attorney's Office for further consideration of criminal charges.

INVESTIGATIVE AUDITS (CONTINUED)

Olinda Elementary – The former Treasurer fraudulently cashed a school check for \$600 and could not provide the whereabouts of \$537 cash collected from the sale of school pictures. Our review of bank statements disclosed a \$600 deposit that we could not trace to a school activity; and that the former Treasurer claimed were personal funds deposited in the school’s account to replace the check fraudulently cashed. Part of her cover-up scheme included altering bank statements for most of the 2011-2012 fiscal year to conceal the check misappropriation and other school checks that were posted late to the system or not posted at all. Initially, the Principal discovered some of these discrepancies and reported them to our office. M-DCPS Police arrested the former Treasurer and charged her with Grand Theft. She resigned from her position in lieu of dismissal. The case was referred to the State Attorney’s Office for further consideration of criminal charges.

South Dade Adult Education Center– Prior to the start of this audit, the Principal had contacted M-DCPS Police to report the theft of cash collections totaling \$1,063. Our audit was unable to identify the party or parties responsible for the theft, since several individuals had access to the location where the funds were stored and to the keys needed to access the location. However, we determined that, at the time of the incident, controls over the safeguarding of the collections were inadequate.

Sweetwater Elementary– Our review of a sample of 2010-2011 fiscal year records disclosed that the school could not account for Before/After School Care (BSC/ASC) Program collections of approximately \$2,900. The BSC/ASC Program’s former Secretary was responsible for the recordkeeping and handling of these records and the collections. During our interviews, this individual admitted to recordkeeping errors, but would not admit to a misappropriation of funds. At present, she is no longer employed at the school or with the school system. Based on our findings, we requested the Office of Professional Standards to “flag” this individual’s personnel records in the event of future re-employment attempts with the school system. Our similar review of 2011-2012 fiscal year BSC/ASC program records, which were under the responsibility of a different individual, did not disclose similar recordkeeping and/or monetary discrepancies.

Whispering Pines Elementary – An audit investigation corroborated that the former Treasurer receipted \$1,100 cash in December 2011; however, withheld these funds from deposit until the end of February 2012. Initially, the Principal discovered the discrepancy and reported it to our office. The former Treasurer resigned from her position in lieu of dismissal and the District has “flagged” her records to prevent subsequent employment. Regarding this former employee, the previous year’s school audit published by our office reported that she had altered the June 2011 checking account bank statement to conceal account deficit balances. In addition, several years ago, our office reported audit findings for this school under the tenure of a former Principal, but under the same former Treasurer.

Other Investigation-(Maxim Healthcare, Inc.)

The Investigative Audits Division conducted an investigation of Maxim Healthcare for which the preliminary and tentative results indicated that Maxim may have overcharged the District approximately \$1.2 million in the provision of services. Maxim declined to work with us to fully vet these findings, and we are working with the School Board Attorney's office to pursue collection of said funds.

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 118 cases this school year and 5 cases are pending to be closed during the 2013-2014 school year (please refer to next table).

CIVILIAN INVESTIGATIVE UNIT (CIU) (CONTINUED)

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

- ▶ Two investigators processed a total of 118 cases during this school year.
- ▶ Of the 118 cases, 108 cases were completed, two cases were returned to the Office of Professional Standards (OPS) to be revisited by the Incident Review Team (IRT) for further review, three cases were re-assigned to the General Investigative Unit (GIU), as they may be criminal in nature, and five cases were pending closure at the end of the 2012-2013 fiscal year.

	Totals	Probable Cause	No Probable Cause	Unfounded	Supplement- No Changes	Returned to OPS	Reassigned to GIU	Cases Pending to Be Closed in 2013 - 2014 FY
Cases Assigned to CIU during 2012-2013FY	118	73	26	4	5	2	3	5

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 further review, i.e. reassignment.
- ▶ **Reassigned to 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

The following audits of various School Board operations were performed by external auditors and presented to the Audit and Budget Advisory Committee during the 2012-2013 fiscal year:

STATE OF FLORIDA AUDITOR GENERAL REPORTS

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

Audit	Audit Firm
Florida Education Finance Program (FEFP) Full-Time Equivalent (FTE) Students and Student Transportation For the Fiscal Year Ended June 30, 2011 (September 2012)	State of Florida Auditor General
Virtual Instruction Programs Operational Audit February 2013 (March 2013)	State of Florida Auditor General
Operational Audit of the Miami-Dade District School Board for the Fiscal Year Ended June 30, 2012 (March 2013)	State of Florida Auditor General

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 6/30/12 (January 2013)	C. Borders – Byrd, CPA LLC
Annual Financial Statements, Educational Impact Fee Fund FYE 6/30/2012 (December 2012)	C. Borders – Byrd, CPA LLC
Audit of the Dade Schools Athletic Foundation, Inc. for FYE June 30, 2012 (December 2012)	Sharpton, Brunson & Co., P. A.
Audit of the Magnet Education Choice Association, Inc. (MECA) for FYE June 30, 2012 (December 2012)	Sharpton, Brunson & Co., P. A.
Audit of the Miami-Dade Coalition Community Education, Inc. for FYE June 30, 2012 (December 2012)	Sharpton, Brunson & Co., P. A.
Audit of WLRN Television and Radio Station for FYE June 30, 2012 (December 2012)	Sharpton, Brunson & Co., P. A.
Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2012 (May 2013)	McGladrey & Pullen, LLP
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012 (December 2012)	McGladrey & Pullen, LLP
Single Audit Report FYE June 30, 2012 (January 2013)	McGladrey & Pullen, LLP

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 forwards them 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 school and audit firm 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 120 charter schools operating during FY 2012-13, up from 108 the previous year. The Audited financial statements of the 108 charter schools in FY 2011-12 were presented to the ABAC during FY 2012-13, and comprised 27 senior high schools, 21 middle schools, 35 K-8 or combination school centers, and 25 elementary schools.



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 forwards them to the School Board. The following audits were received during the 2012-2013 fiscal year:

Community-Based Organizations	Audit Firm
AMIkids Miami-Dade, Inc. (December 2012)	Cross, Fernandez & Riley, LLP
Richmond-Perrine Optimist Club, Inc. (December 2012)	Nzeribe & Co., PA

REPORTS ISSUED BY OTHER ENTITIES:

OFFICE OF INSPECTOR GENERAL REPORTS

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

Audit	Audit Firm
Annual Report FY 2011-2012 (December 2012)	Office of Inspector General
OIG Final Report of Investigation Re: Acceptance of Gratuities by Miami-Dade County Public Schools Employees Charles Hankerson and John Walker (December 2012)	Office of Inspector General

NON-AUDIT SERVICES AND ACTIVITIES

Participation in the Money Matters Support Program and Training Sessions to Principals

- ▶ Our office continues to actively participate in the Money Matters Support Program that School Operations offers to Principals. This program focuses on improved accountability and the implementation of best business practices at the school sites. During the session offered to newly appointed principals on September 19, 2012, 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.
- ▶ On June 10-12, 2013, the Assistant Chief Auditor-School Audits and the Director I- School Audits Division participated in a three-day professional development seminar offered to all Principals. The Assistant Chief Auditor provided the District with case studies based on findings, a quiz on financial matters related to School Audits as an initial "ice-breaker" exercise for Principals; and a "hands-on" bank reconciliation exercise to discuss pitfalls, and possible fraudulent and questionable areas associated with the bank reconciliation. Selected principals were the actual presenters who utilized this material during the class, while representatives from the School Audits Division were present during these presentations to provide "expert advice".

Audit Presentation to PTSAs/PTAs

- ▶ The Chief Auditor and Assistant Chief Auditor for the School Audits Division participated as presenters during the PTSAs/PTAs presentation at Booker T. Washington Senior High School. Topics discussed related to the PTSAs/PTAs activities conducted at the schools and guidelines established in the *Manual of Internal Fund Accounting*.

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.

NON-AUDIT SERVICES AND ACTIVITIES (CONTINUED)

Staff Participation in Various Committees

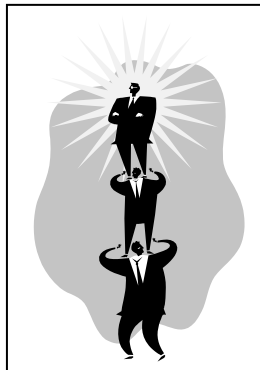
- ▶ Pursuant to School Board Policy and Government Auditing Standards, internal audit staff participated as non-voting members on various district committees.

Staff Development

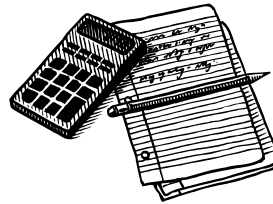
- ▶ Throughout the year, audit staff received continuing professional education on topics related to governmental auditing and other accounting issues.
- ▶ These informative training sessions qualify for continuing professional education required under the *Government Auditing Standards*.

Staffing Issues

- ▶ During 2012-2013, the reduction in force in the District and the strict district-wide hiring freeze resulted in three audit positions in the School Audits and District Audits Divisions that had not been filled as of June 30, 2013; however, one of these positions was filled during the summer. In addition, one clerical position was eliminated at the end of the fiscal year.



FY 2013-2014 Annual Audit Plan And Adopted Budget



Office of Management and Compliance Audits



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair

Dr. Martin Karp, Vice Chair

Dr. Dorothy Bendross-Mindingall

Ms. Susie V. Castillo

Mr. Carlos L. Curbelo

Dr. Lawrence S. Feldman

Dr. Wilbert "Tee" Holloway

Dr. Marta Pérez

Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
perintendent of Schools

Mr. José F. Montes de Oca, CPA
Chief Auditor

Office of Management and Compliance Audits

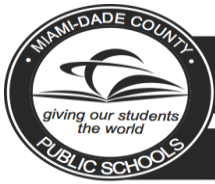
Contributors to this Report:

Ms. Maria T. (Maite) Gonzalez, CPA
Assistant Chief Auditor, School Audits

Mr. Julio C. Miranda, CPA, CFE
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

Jose F. Montes de Oca, CPA

Miami-Dade County School Board

Perla Tabares Hantman, Chair

Dr. Martin Karp, Vice Chair

Dr. Dorothy Bendross-Mindingall

Susie V. Castillo

Carlos L. Curbelo

Dr. Lawrence S. Feldman

Dr. Wilbert "Tee" Holloway

Dr. Marta Pérez

Raquel A. Regalado

June 20, 2013

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 2013-2014 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.

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, instructional support and IT areas. However, the spectrum of coverage will remain narrow this year due to district budgetary constraints which have precluded us from filling some of the previously vacated district audit positions. In May 2013, the Superintendent recommended and the School Board approved the establishment of an Audit Director (Capital Construction) position, which we plan to fill during the summer. This position will be solely dedicated to working on issues related to the 21st Century General Obligation Bond program. Also, in April 2013 we were able to fill another position which will be solely dedicated to audits of charter schools operations.

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 staff, to make this plan complete and successful. Any changes or additions to the plan will be incorporated into the final audit plan and brought to the September 2013 Audit and Budget Advisory Committee meeting for the Committee's consideration and recommended approval. This plan will then be transmitted to the School Board for final approval.

Respectfully yours,

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

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 360 Schools And Centers

- Financial statements of internal funds;
- Payroll;
- Purchasing Credit Card Program;
- Federal Funds/Title I;
- Florida Education Finance Program/FTE;
- Selected aspects of School Site IT and School Site;
Cafeteria Management; and
- Property Audits.

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 2-year audits
 - Selection based on audit risk
 - Selected group of low-risk schools to be audited every two years

- Payroll, Credit Card, Title I, FEFP audits*, selected aspects of school site IT and cafeteria management to be conducted at selected schools

- Property Audits to be conducted at schools following audit plan.

* The number of FEFP Audits may be curtailed during the first part of the year, depending on the level of assistance that we will be required to provide to the State of Florida Auditor General during the FEFP Audit of the District (to start in July 2013)

District Audits Division

Internal Audits

➤ Areas of Audit Coverage

- Various district support functions including:
 - ✓ Facilities and Construction
 - ✓ Financial operations
 - ✓ Instructional support operations
 - ✓ Grants management
 - ✓ Risk benefits operations
 - ✓ IT security and support

District Audits Division

Two New Internal Audits

- Ongoing Audit of Construction Program Manager's Contracted Services
- Audit of Designated Elements of Selected Construction Project

District Audits Division

Four Carryover Internal Audits

- Internal Controls Over Derivatives Management (Draft report pending finalization)
- Grants Management and Controls (In progress)
- Internal Controls Over Selected Instructional Support Agreements and Contracts (In progress)
- District's Self-insurance Program (Not started)

District Audits Division

Four IT Audits

- Electronic Grade Book (EGB) – Security and Controls (In progress)
- SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (Carryover)
- School Site Network & Information Security (Ongoing)
- District Offices Network & Information Security (Ongoing)

District Audits Division

Ongoing Audit of Construction Program Manager's Contracted Services (New)

- 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.

District Audits Division

Audit of Designated Elements of Selected Construction Project (New)

- Over the next fiscal year, it is anticipated that M-DCPS will issue \$400 million in general obligation bonds for its capital needs. An estimated 68 construction projects, 66 of which are valued between \$1 and \$2 million, are expected to be awarded during FY 2013-14.
- Our audit objectives are 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.

District Audits Division

Internal Controls Over Derivative Instruments Management (Carryover)

- Interest rate swaps are among the various derivative instruments the District is authorized to use in its debt management strategy. These instruments add certain risk considerations that must be managed. In the District's audited financial statements for the fiscal year ended June 30, 2012, the swaps' net fair value and projected future net swap payments were reported at approximately \$(41) million and \$63 million, respectively.
- We have assessed the policies and procedures in place for managing derivatives to determine whether they conform with recommended best practices and have assessed the level of internal controls in place over this process. We have issued a draft report, pending finalization.

District Audits Division

Grants Management and Controls (Carryover)

- During FY 2012-13, M-DCPS was awarded non-Title I grants totaling more than \$223 million. These grants are funded by various federal, state, and local agencies, and private entities.
- We have resumed our audit of the internal controls over the District's grants management function to ensure that adequate safeguards are in place and will report our finding at the conclusion of our audit.

District Audits Division

Internal Controls Over Selected Instructional Support Agreements and Contracts (Carryover)

- 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, 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 commenced the preliminary stages of our audit.

District Audits Division

District's Self-insurance Program (Carryover)

- The District's self-insurance plan is in its fourth year of operations. For the self-insurance fund, the District reported total operating expenses of \$369 million and an operating loss of \$2 million in its audited financial statements for the fiscal year ended June 30, 2012.
- 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 will commence this audit when other ongoing audits are completed, thus making resources available.

District Audits Division

IT Audits

Electronic Grade Book (EGB) – Security and Controls (In Progress)

- The District's EGB has completely replaced traditional hand-written grade book procedures. Both student grades and attendance reporting are handled via EGB.
- An assessment of EGB security controls will focus on providing reasonable assurance that the integrity of this system is properly managed to prevent unauthorized use, inappropriate disclosure of sensitive information, and access to the system is proper and in accordance with the role of the system user.

District Audits Division

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

- 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.

District Audits Division

School Site Network & Information Security (Ongoing)

- A substantial amount of the District's functions uses applied technology, including the web. IT audit and oversight is needed to provide reasonable assurance that leading practices and controls are embedded in the network endpoints, are performing as designed, and schools are complying with M-DCPS' Network Security Standards.
- We will continue working with the six ITS Network Support groups, as we did last year, to determine whether adequate internal controls and leading practices are in place at selected individual schools to ensure network security and adherence to current District Network Security Standards.

District Audits Division

District Offices Network & Information Security **(Ongoing)**

- District departments store and manipulate vast amounts of data, including those in student, personnel, business, and accounting records. This data may come under attack from internal and external threats.
- Our objective will focus on providing reasonable assurance that basic controls are embedded in the network endpoints, that they are performing as designed, and that district offices are complying with M-DCPS' Network Security Standards.

District Audits Division (Long Range)

Three Audits

- Compliance: ESE and Risks Benefits (IDEA and HIPAA) (Added to Plan in FY 2012-2013)
- Audit of Information Technology Security Controls (Added to Plan in FY 2012-2013)
- Security Controls – Bring Your Own Device (BYOD) (Added to Plan in FY 2013-2014)

District Audits Division (Long Range)

Compliance: ESE and Risk Benefit (IDEA and HIPAA)

- The district collects and stores, from its students and employees, certain information that is protected under the Federal Individuals with Disability 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 to ensure that controls are adequate and the necessary safeguards are in place; and to ascertain compliance with the applicable provisions of these two acts.

District Audits Division (Long Range)

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.

District Audits Division (Long Range)

Security Controls – Bring Your Own Device (BYOD)

- 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.

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 and/or Audit and Budget Advisory Committee

Oversee Investigations Conducted By:

- Civilian Investigative Units – CIU

Support And Collaborate With:

- Miami-Dade School Police
- Office of Professional Standards – OPS
- Other District Offices
- State Attorney's Office
- Inspector General – IG

Forensic, Investigative, Charter Schools Audits Division

- Ongoing Audit of Doral Academy Charter High School (In Progress)
- Audit of Keys Gate Charter High School (New)
- Audit of FTE Reporting of Mavericks Charter Schools (North and South) (New)
- Propriety of Charter School Start-Up and Continuation Grants (Carryover)
- Follow-up on Academy of Arts and Minds Charter School Investigation (New)

Forensic, Investigative, Charter Schools Audits Division

Audit of Doral Academy Charter High School Selected Transactions (In Progress)

Currently fieldwork is in progress on this audit being conducted pursuant to "right to audit" clause in the charter contract between the school and the School Board. The focus and scope of the audit will be primarily on two transactions or series of expenditures that came to our attention during our annual review of the School's June 30, 2012, audited financial statements. If other issues or concerns arise during the audit, we reserve the right to expand the scope accordingly.

Forensic, Investigative, Charter Schools Audits Division

Audit of Keys Gate Charter High School (New)

As of June 30, 2012, KGCHS had a Total Net Assets deficit of \$(1,521,983), a Total Fund Balance of \$1,146,839 and an Unassigned Fund Balance position of \$0. Operationally, the School had a deficit of \$(1,543,591) in its Statement of Activities and a deficit of \$(938,409) in its Statement of Revenues, Expenditures and Changes in Fund Balance.

Based on serious questions and concerns about this school's financial viability, identified during our annual review of the School's June 30, 2012, 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 focus and scope of the audit will be primarily on the relationship and associated transactions between the not-for-profit Charter School and its for profit management company and affiliates.

Forensic, Investigative, Charter Schools Audits Division

Audit of FTE Reporting of Mavericks Charter Schools (North and South) (New)

- We intend to conduct an audit of both, Mavericks North and South charter schools in accordance with the “right to audit” clauses in the charter contracts between the School Board and the schools. This audit is predicated on the results of a recently released audit of Mavericks charter school in Palm Beach County by the Palm Beach County School District’s Inspector General, which found that the School had claimed and received approximately \$159,000 in public funds for which it was not entitled. We understand that similar allegations have been levied against the two existing Mavericks charter schools operating in Miami-Dade County.
- The audit objective is to determine whether the schools have claimed and received public funds which they are not entitled to receive.

Forensic, Investigative, Charter Schools Audits Division

Propriety of Charter School Start-up and Continuation Grants (Carryover)

- Florida public charter schools are eligible to receive a pass-through competitive grant issued by the U.S. Department of Education through the Charter School Program (CSP) for planning, program design, initial implementation of the charter school; and for supporting the dissemination of successful practices and other information about charter schools. During FY 2011-2012, the District awarded approximately \$2.7 million to 14 district charter schools.
- Our audit objective is to determine the adequacy of internal controls in place to disseminate and monitor the amounts awarded; and to assess the proper use of these funds. We are currently conducting fieldwork in this audit.

Forensic, Investigative, Charter Schools Audits Division

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

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, if commitments and resources allow it.

Property Audits/Year-End Inventories

Property Inventories

- Perform physical inventory counts of all property with an acquisition cost of \$1,000 or more at approximately **400 work locations. Results of school property audits reported as part of school audits.**
- During FY 2012-2013, our Property Auditors visited more than 400 work locations; and accounted for **approximately 91,000 items with a cost of almost \$70 million. We conducted 100% of property audits planned at the schools.**

Audit of Year-End Inventories

In support of the District's financial audit, year-end physical inventories are observed and inventory controls are tested at:

- Food and Nutrition
- Transportation
- Maintenance Materials Management
- Stores and Mail Distribution
- Textbook Inventory Services

Other Non-Audit Services

Community Based Organization Fiscal Review

- During FY 2012-2013 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 2012-2013, the District sponsored 120 charter schools with student enrollment of approximately 47,000 at an estimated cost in excess of \$350 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety, and academic performance. We will review independent 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.
- Facilitate the District's process for addressing charter schools which meet one or more conditions of the financial emergency statute.

Other Non-Audit Services

Active Participation 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.

Other Non-Audit Services

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

- 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

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

- Small/Micro Business Enterprise (SBE) 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 Board rules.

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 as set forth in 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

- Role to 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, or office, particularly the School Audits Division provides recommendations to principals on best practices and financial procedures

Advice related to financial stewardship/operational compliance/implementation of best practices at school sites.

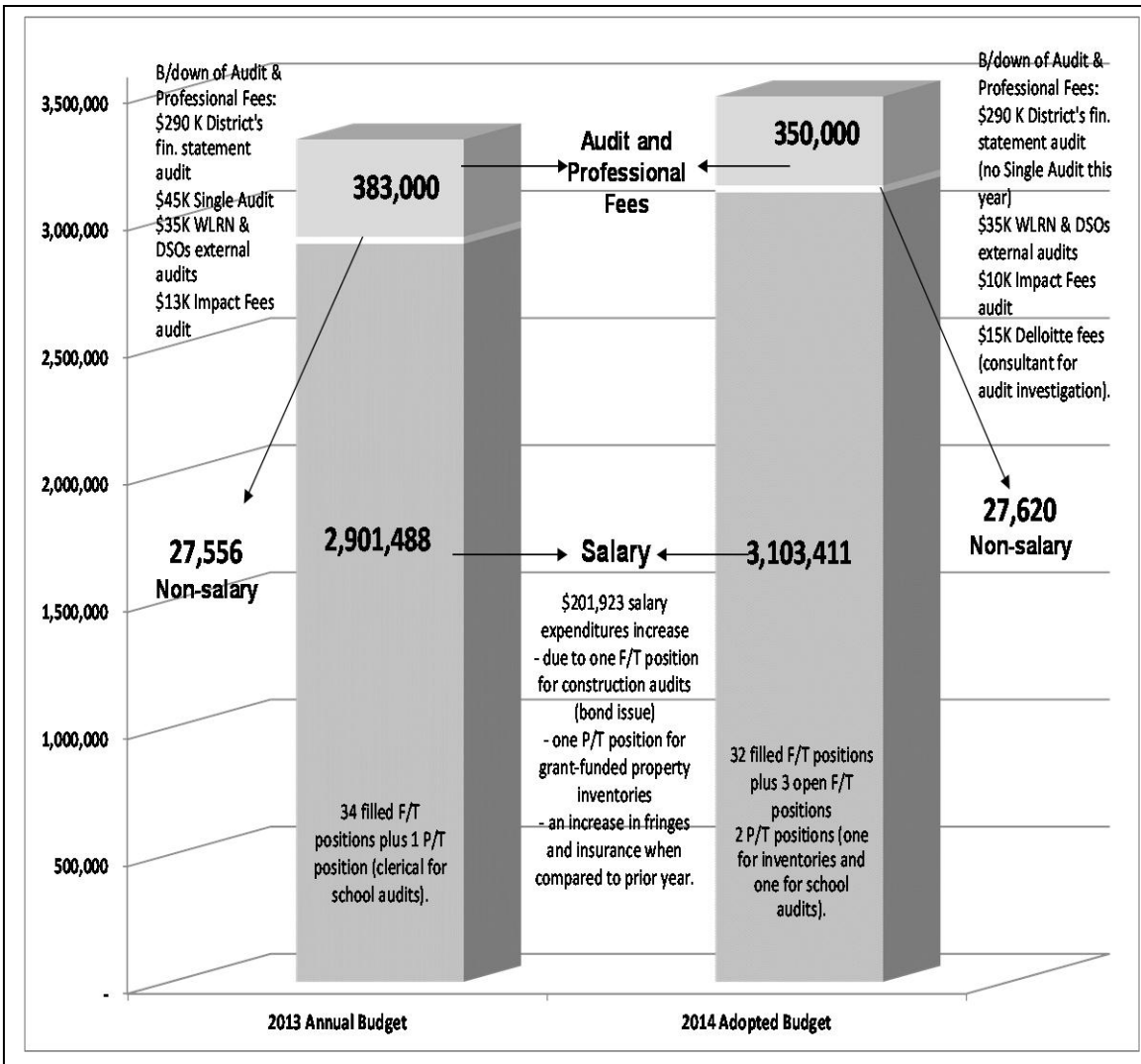
INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT STAFFING

Resource Allocation	As of June 30, 2012	As of June 30, 2013	Δ	Comments
Chief Auditor & Administrative Support Staff	4	3	-25%	One administrative support staff position eliminated during recent reduction in force of the District.
School Audits Division	15	14 ⁽¹⁾	-6.7%	One audit staff member promoted to Charter School Division; one audit staff member promoted to <i>another department outside this office</i> ; one staff member promoted from Property Audits. <i>Another staff member has been on maternity leave since Spring Recess.</i> For 2013-14, one F/T open position to fill. See Note (1).
Non-School - Operational & Performance Audits Division	3	3 ⁽²⁾	No Change	For 2013-2014, one F/T open audit position to fill related to Bond Issue. See Note (2).
Information Technology Division	1	1	No Change	
Property Audits Division	5	4 F/T ⁽³⁾	-20%	For 2013-14, one F/T open position to fill. See Note (3).
Audit Investigative Division/Charter School	3	4	+33%	One staff member from School Audits promoted to the Charter School Division via regular HR channel.
Civilian Investigative Unit	3	3	No Change	
Totals	34	32⁽⁴⁾	-5.8%	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. For 2013-14, one open F/T audit position to fill due to promotions. Part-Time (P/T) clerical terminated as of June 8, 2013 (due to budget constraints). To be reinstated after July 8, 2013.
- (2) One open F/T audit position related to bond program, to be filled in 2013-2014.
- (3) One P/T position recently added to conduct property audits of equipment purchased with grant funds terminated as of June 8, 2013 (due to budget constraints). To be reinstated after July 8, 2013. One F/T position promoted to School Audits Division. Open position to be filled in 2013-14.
- (4) Budget for 2013-14 based on 32 actual filled F/T positions and three open F/T positions for a total of 35 filled F/T positions and 2 P/T positions.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



Tentative budget for FY 2013-2014 includes \$350,000 to pay external auditors for financial audit of the District, external audits of WLRN-Radio & TV Stations, MECA, Coalition, Athletic Foundation and Impact Fee; and consultant fees related to an investigation.

Increase in projected salary expenditures due to one new full-time position in the area of construction for the 21st century bond program; and one part-time property auditor position (to assist with property inventories of equipment purchased with grant funds) recently filled in April 2013 but not previously budgeted. The increase also reflects corresponding increase in projected fringes and insurance benefits expenditures when compared to the prior 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 295.07 (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.

2013-2014 ANNUAL REPORT



MIAMI-DADE COUNTY PUBLIC SCHOOLS
Office of Management and Compliance Audits
1450 N.E. 2nd Avenue, Room 415
Miami, Florida 33132
Tel: (305) 995-1318 • Fax: (305) 995-1331
<http://mca.dadeschools.net>