

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
REGULAR MEETING  
July 19, 2022**

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The School Board Audit and Budget Advisory Committee (the ABAC or the Committee) met on Tuesday, July 19, 2022, in the School Board Administration Building, SBAB Auditorium, at 1450 N.E. Second Avenue, Miami, Florida.

**Call to Order**

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ABAC Chair, Mr. Christopher Norwood, J.D., called the meeting to order at 12:42 p.m. All ABAC attendees, including non-voting members, introduced themselves.

Mr. Norwood acknowledged the presence of Ms. Perla Tabares Hantman, School Board Chair, and thanked her for attending the ABAC meeting.

After the introductions Ms. Mari Tere Rojas also thanked Ms. Perla Tabares Hantman for her attendance at the ABAC meetings.

**1. Welcome and Introductions**

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| <b>ABAC Members Present</b>   |
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| Mr. Christopher Norwood, J.D., ABAC Chair   |
| Mr. Stephen Hunter Johnson, Esq., ABAC Vice Chair                                       |
| Ms. Chloe Bordon-Gillenwater, ABAC Member   |
| Ms. Anna Hochkammer, ABAC Member  |
| Mr. Jeff Kaufman, ABAC Member   |
| Mr. Albert D. Lopez, CPA, ABAC Member (Virtual)   |
| Mr. Julio C. Miranda, CPA, CFE, ABAC Member   |
| Ms. Mari Tere Rojas, School Board Member/ABAC Member                                    |
| Ms. Sharon Watson, ABAC Member  |
| Mr. Erick Wendelken, CPA, ABAC Member   |
| Mr. Ron Y. Steiger, Chief Financial Officer, Ex Officio (Non-Voting) Member of the ABAC |
| Mr. Jon Goodman, Chief Auditor  |
| <b>ABAC Members Absent</b>  |
| Mr. Juan del Busto, ABAC Member   |
| Ms. Zeida Sardiñas, ABAC Member   |

| Others in Attendance                                      |   |
|---|---|
| Ms. Perla Tabares Hantman, School Board Chair             | Mr. Michael Hernandez, CPA, Audit Supervisor, OMCA      |
| Dr. Steve Gallon III, School Board Vice Chair             | Mr. Alejandro Santana Alvarez, IT Auditor, OMCA         |
| Ms. Lucia Baez-Geller, School Board Member (Virtual)      | Mr. Hector Ortiz, Assistant Inspector General OIG       |
| Dr. Bendross-Mindingall, School Board Member (Virtual)    | Mr. Thomas Knigge, Supervisory Agent, OIG               |
| Dr. Jose L. Dotres, Superintendent of Schools             | Ms. Laynet Perez, Investigator, CIU                     |
| Mr. Walter J. Harvey, School Board Attorney               | Mr. Erick O. Blanco, Cybersecurity Analyst, OMCA        |
| Dr. Dawn M. Baglos, Chief Human Capital Officer           | Ms. Marlene Hernandez, School Bd. Chief of Staff        |
| Mr. Jose Bueno, Chief of Staff                            | Ms. Carlota Noguera, School Bd. Chair Admin. Assistant  |
| Ms. Fazzino, Chief Intergovernmental & Fam. Comm Eng.     | Ms. Elsie Berrios-Montijo, District Analyst, OMCA       |
| Dr. John D. Pace, Chief Operating Officer                 | Ms. Latisha Green, Assistant to the Chief Auditor, OMCA |
| Mr. Eugene P. Baker, Chief Information Officer, ITS       | Mr. Al Chicoy, Creative Director, WLRN                  |
| Ms. Daisy Naya, Contoller                                 | Mr. Gustavo Hernandez, Sr. TV Director, WLRN            |
| Mr. Luis E. Diaz, Assistant Superintendent                | Mr. Adson Pressage, TV Director, WLRN                   |
| Mr. Rene Mantilla, Assistant Superintendent               | Mr. Nicholas Moreton, IT Support                        |
| Ms. Tamara Wain, CPA, Assistant Chief Auditor, OMCA       | Mr. Brett Friedman, Partner, RSM US LLP (Virtual)       |
| Mr. Michael Lewis, Region Superintendent                  | Mr. Alex Auguste, Manager, RSM US LLP (Virtual)         |
| Dr. Gloria Arazoza, Region Administrative Director        | Mr. Raul E. Alvarez, Trimerge Consulting Group. P.A.    |
| Ms. Melba Brito, Administrative Director                  |   |
| Mr. Reginald Johnson, Region Administrative Director      |   |
| Mr. Paul Smith, Administrative Director                   |   |
| Ms. Maria Zabala, Administrative Director                 |   |
| Mr. Luis O. Baluja, CISA, District Director, OMCA         |   |
| Mr. Richard Yanez, CPA, District Director, OMCA           |   |
| Mr. Edward McAuliff, Executive Director                   |   |
| Mr. William (Bill) O. McAuliff, Jr., Executive Dir., MECA |   |
| Mr. Reinaldo Montano, Executive Director, CIU             |   |
| Ms. Elvira Sanchez, Executive Director, OMCA              |   |

**OLD BUSINESS, Item b (ACTION)**

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**May 10, 2022, ABAC Follow-Ups:**

Chief Auditor, Mr. Jon Goodman, stated that regarding Magnet Educational Choice Association (MECA), there were developments yesterday (7/18/2022) that reflected a miscommunication between MECA and the Administration as far as who is going to be paying and funding the Executive Director position. Therefore, Mr. Goodman proposed to the committee that they defer this item and related discussions to the next ABAC meeting so that they have a chance to clear up that misunderstanding and present an adjusted five-year plan.

There being no additional questions or comments made by the Committee, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Jeff Kaufman, carried unanimously to recommend that this **Old Business, Item b**, be moved to the next scheduled ABAC meeting.

Mr. Luis Baluja, District Director, from Office of Management and Compliance Audits spoke to acknowledge individuals that were logged in at this time and attending virtually on Zoom. ABAC Member Mr. Albert Lopez was introduced, as well as Board Member Dr. Dorothy Bendross-Mindingall, Mr. Brett Friedman, Partner, RSM and Mr. Edward McAuliff from ITS. Mr. Christopher Norwood thanked Board Member Dr. Bendross-Mindingall for being present.

**2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 10, 2022 (ACTION)**

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ABAC Chair, Mr. Christopher Norwood, presented the minutes of the May 10, 2022, ABAC meeting.

There being no questions or comments, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas and seconded by ABAC Member Ms. Sharon Watson, was carried unanimously to approve and file the **Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 10, 2022.**

**3. Proposed Audit and Budget Advisory Committee Meeting Dates for September 2022 and December 2022 (ACTION)**

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Chief Auditor, Mr. Jon Goodman, stated that this committee was concerned that the ABAC meetings were in certain cases conflicting with School Board Meetings. Through the input of ABAC, it is being proposed, going forward, to move the ABAC meetings from Tuesdays to Mondays. The first two ABAC meetings have been proposed with dates of September 19 and December 5. Once the School Board determines its meeting agenda for the next calendar year in November, then at the December ABAC meeting, the latter half of fiscal year's ABAC meeting dates will be proposed.

Ms. Mari Tere Rojas stated her appreciation for this proposed change. As the ABAC representative on the School Board, she noted that the ABAC meeting often falls on the day prior to the School Board meetings, and there is a great deal to prepare for the School Board meeting.

There being no additional questions or comments made by the Committee, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Sharon Watson, carried unanimously to recommend that the **Proposed Audit and Budget Advisory Committee Meeting Dates for September 2022 and December 2022** be approved.

#### **4. The School Board of Miami-Dade County, Florida – Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2022 (ACTION)**

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Mr. Jon Goodman stated that RSM would be making this presentation virtually and introduced Mr. Brett Friedman, RSM Audit Partner. (While waiting for Mr. Friedman to begin, Ms. Mari Tere Rojas thanked her colleague Dr. Dorothy Bendross-Mindingall for her attendance at this meeting, and Dr. Bendross-Mindingall responded thank you and stated that they are here to ensure all goes well for their community and stakeholders).

Mr. Brett Friedman introduced himself and Mr. Alex Auguste, RSM Audit Manager, virtually via Zoom. Mr. Friedman explained key planning area, audit strategy and key audit areas and significant risks, timing of audit, District's Internal Audit work and how utilized, and audit innovation tools used. Preliminary audit planning began June 13 through 30, and final field work will be week of September 26 through November 23.

Key audit areas reflect where significant risks are. Mr. Friedman explained that use of subject matter experts and specialists in areas such as Other Post Employment Benefits (OPEB), pension and self-insurance, adoption of GASB 87 dealing with leases, are required in both private world under ASC842 and in government under GASB 87. He also stated that he will share what RSM relies on from Internal Audit, and explain the RSM team which includes actuarial and IT specialists, and cyber specialists, if needed. Their team also includes small business partners which are Anthony Brunson, PA. as well as Sanson, Kline, Jacomino & Tandoc, and they are integrated as part of the RSM team. Timely communication is critical, and RSM attends every ABAC meeting, and they are available to meet and speak with community members or School Board members at any time.

They are not doing the audit looking for fraud, but if they identify fraud or suspected fraud, that will be communicated with those charged with governance and senior management. At the end of audit, they will communicate significant deficiencies or weakness in internal controls that they become aware of, or any significant or unusual transactions that lack proper authoritative guidance, or any areas where there is significant management judgement, and there they will give results of testing on key risk areas that involve estimates. Both RSM and both small business partners are independent, both in appearance and in all facts, regarding the District. They have strict policies in place to ensure independence is maintained for every partner and professional employee on the engagement.

The Planning process goes through multiple steps. They meet with School Board officials to update understanding and calculate materiality which considers both quantitative and qualitative aspects. The focus of the audit is on the financial statements, and whether or not they are fairly stated. They also look at internal controls and the environment around that, they do a risk assessment, and have discussions with both engagement team and with management. They do not test 100% of transactions and use professional judgment to determine what is quantitatively and qualitatively significant to the users of the financial statements. At end of the audit, they will issue an internal control report, in accordance with Government Auditing Standards, that will report on significant deficiencies or material weaknesses that they come across in the design or operation of internal controls.

The Auditor General for the State of Florida comes once every three years, and they are currently here for the District, so they will be doing the compliance audit in accordance with Uniform Guidance and the Federal Single Audit Act. So RSM will not be performing that audit, but rather it will be performed by the Florida Auditor General.

Mr. Alex Auguste, RSM Audit Manager, introduced himself. He highlighted subject matter on page 10 involving areas that pose specific risk. Self-insurance and claim liability are a risk. They work with experts to audit this balance. They examine claim data and perform evaluation on this balance. Historically, no issues were found. Revenue is another risk area. The District receives revenue through property taxes, ESSER funds, and these are tested for propriety and classification, whether available or unearned. Referencing page 11 of plan, OPEB liability was highlighted. They evaluate actuarial reports for reasonableness, look at school District's expert reports, as well as their experts. Referencing page 12, they review the full-time equivalents, the reports issued by the Office of Management and Compliance Audits, and the Auditor General's most recent FTE report for reasonableness and compliance. Referencing page 13, GASB 87 is a huge implementation that the District is taking on this year. RSM will evaluate the implementation. Referencing page 14, RSM does considerable work around the IT systems. They meet with IT personnel, review access controls, test management controls, system development, test backup application, and perform an overall robust evaluation of the District's IT systems, especially of the financial reporting system.

Mr. Brett Freidman continued and stated that RSM works with Jon's team (*Internal Audit*) to coordinate both with Finance and their team, to either meet in late November or December, depending on timing of meeting and when School District has their financial statements ready. Referencing page 16, Mr. Friedman explained that RSM reviews all the operational reviews done by Internal audit looking for potential areas of internal controls deficiencies or weaknesses that may affect the scope or timing of procedures, and to enhance understanding. One of key things is FTE counts since substantial School Board revenue that comes from the State is driven by FTE counts. Other areas that they leverage from Internal Audit is inventory observation, as well as tangible personal property. RSM leverages from those reports and they do some sampling as opposed to doing widespread inventory observation. Last year, with the adoption of GASB 84 that related to fiduciary activities, they also reviewed the performance of the audits of internal fund accounts done by the School Board (*Internal Audit*), and related to this, there is a new full accrual financial statement required. Mr. Friedman stated that they always want to continue to partner with the District. He also explained that they assisted with some cyber security penetration testing. Since the District is currently acquiring services from an outside independent firm to assist with this on an on-going basis, he explained that RSM could not offer such a service. Doing so would make them part of the District's internal audit structure. But RSM can assist on a random basis to look at things.

Mr. Friedman also explained that he understands the need for every available dollar to go to the students. He stated that in the past when they were re-engaged, they reduced their fees at that time. They also increased SBE involvement from 25% to 30%. They do try to leverage SBE involvement, but as the firm that must issue and sign the opinion,

they are responsible for all supervision and review all that occurs. In recent discussions with Jon and Mr. Lopez, they try to look for possible areas to create increased efficiencies. One of the things looked at was to use some Internal Audit staff hours. They had discussions on this, but one of the challenges that RSM runs into is the supervision and review component. The only part they can allocate out is the staff time. Currently in this environment, government audit versus a private company audit, staff time is allocated to small business firms, in which they try to grow and develop their team members, train them on the job, and give them guidance. They do a lot what could potentially be work that we could provide to Internal Audit. They are open to use Internal Audit, but their SBE partners are concerned that if we used Internal Audit this coming year, it would take away from what they could do. Mr. Friedman stated they continue to always work with the District to make the process smoother and more efficient, and support District goals whether increasing SBE involvement, reducing costs, or anything else.

Mr. Luis Baluja, District Director, from the Office of Management and Compliance Audits spoke to acknowledge individuals recently joining ABAC meeting. He acknowledged that Vice Chair/ Board Member Dr. Steve Gallon has joined the meeting in the auditorium, and Board Member Ms. Lucia Baez-Geller has joined the meeting virtually on Zoom. Mr. Christopher Norwood also indicated the presence of Mr. Stephen Johnson.

ABAC Member Mr. Albert Lopez addressed implementation of GASB 87, a major new pronouncement to be adopted for the first year. Through the planning process, he asked Mr. Friedman if he had been able to sit down with District personnel to see approach, to ensure agreement with their approach, and asked if any software was being used to facilitate the calculations? If the District wants to get involved with the answer, that will be appreciated. Mr. Lopez commented further. Also, in looking at cyber risk, has your firm been able to see a plan or have you been consulted? Lastly, I do want to discuss the use of Internal Audit staff since in the end, we want to have more money available for our students. Any hours or work performed by Internal Audit becomes a savings to the District in audit fees. We spoke about 125-150 hours this year and the following year going up to 200-250 hours. In conversations with Mr. Goodman, this is feasible, and he has the people to be able to do the work. He understands that the minority firms don't want a reduction of their fees, but at the end of the day, it is about our students.

Mr. Friedman explained that regarding GASB 87, to be independent, they have provided advice and guidance and some whiteboarding sessions but defer to District staff so they can give you more detail as to where they stand. Regarding cyber, they have had discussions but have not seen a proposed plan, but they are happy to provide an independent review. But due to concerns of independence, their firm is precluded by independence standards from proposing such services. But we did do some cyber testing and happy to give expert review. Andrew Weidenhamer (RSM Partner, Cyber Security Specialist) would be happy to look at things.

Mr. Jon Goodman updated the Committee on cyber issues, and stated that the District awarded a certain firm through the RFP process, and is currently in the process of contracting with that firm to do cyber security testing and cyber risk assessment, among other things. That is in process, and we are going to be having that firm as an adjunct

to our office, helping and working with our internal team under the direction of Mr. Luis Baluja.

ABAC Member Mr. Albert Lopez asked Mr. Friedman if he has been consulted as to the steps or approach to be taken.

Mr. Friedman stated that he knows they are engaging somebody, and they do touch base regularly with Mr. Goodman, but not consulted so far.

Mr. Jon Goodman explained that during the performance of a financial statement audit those discussions would typically go through the Administration, the IT function, and the Chief Information Officer. That is the normal process for a financial statement audit. Cyber controls are not the primary area of effort in a financial statement audit. I am sure Mr. Friedman and his team are doing their due diligence in how the cyber issues affect the financial statement audit. Our office is in the process, down to the wire, contracting with the firm that is going to help us from a cyber security and auditing standpoint.

Mr. Albert Lopez stated that he understands the impact of the financial reporting, but that it is good practice to have the external auditor know what steps are being taken and to have those conversations with IT so they understand the control procedures and steps that are being taken to protect the District.

Mr. Jon Goodman responded that he is sure that Mr. Friedman is doing what needs to be done regarding IT and cyber security as it relates to the financial statement audit and that he is aware of where they are with the process of contracting with the firm to help the audit function with cyber security.

Mr. Friedman stated that as part of the audit, RSM's IT professionals meet with the District's IT professionals, consult with IT and they look at cyber security issues, but they do not do penetration testing, as those are separate scope. And he knows of the added layer requested by District that is being put in place of having cyber capabilities within the Office of Management and Compliance Audits.

Mr. Albert Lopez stated he did not get an answer as far as what the District has done as far as GASB 87, nor discussions on work/hours regarding Internal Audit.

Mr. Friedman asked if anyone from District Finance wants to address the GASB 87 question, and then he will address the hours question for Mr. Lopez.

Mr. Ron Steiger, CFO stated that at first the District sought guidance from many different entities, and then decided to go with company called Plante Moran to guide us through the full implementation of GASB 87 for the full District.

Mr. Albert Lopez stated that was the guidance, but wanted to know if the District was using any kind of software since the number of leases in place is a tremendous task.

Mr. Steiger stated he would not call it software, but it was a tool kit with forms, fillable forms, and templates used throughout the entire District so that when the information came back, it was uniform, all correct questions were asked, and correct data gathered.

Mr. Albert Lopez said thank you.

Mr. Friedman stated that regarding the hours item, RSM had a conversation with Mr. Lopez and Mr. Goodman and they spoke about what Internal Audit could provide. Because of how the audit is carried out and its structure, he did want to consult with the small business firms. Of the 125 to 150 hours, at least 70% would be coming at the expense of the small business partners, and in consulting them, they were not comfortable with giving up their portion of the contract and having their involvement reduced. That would leave what we potentially could outsource to Internal Audit to be about 30 hours to help with walkthroughs and things of that nature. In speaking with Mr. Goodman, under the current structure and not wanting to take from the small business firms, it did not seem this would be the best use of their time for a small amount of hours.

Mr. Albert Lopez said there would be a larger piece from the minority firms, but there would also be a piece coming from RSM. He addressed his colleagues and explained this would be a savings to the District, and Internal Audit did have hours available. He did not accept that firms don't want their fees reduced. If they have an option and way to reduce fees, he does not know why this would be tabled simply because firms do not want their fees reduced.

Mr. Goodman stated that they met extensively, probably three or four times, with Mr. Lopez and Mr. Friedman on this discussion about how they can best leverage this office in an effort to make sure our external fees are as low as they can be. Through their discussions, he did commit to a certain number of hours this year, potentially 125 or 150 hours and going forward, potentially increasing that to 200 hours. He does have the ability to do that. There is a difference between auditing in the private sector for example, for publicly traded companies, and auditing in the government sector, especially for local government auditors, such as a school district, in the sense that they do have minority participation as a significant part of the process. Having said that, Mr. Goodman stated his office is willing and able to contribute a certain number of hours to assist the external auditors with the goal of reducing their fees. Mr. Goodman also said that he wanted to point out that about a year and a half or two years ago, when the RFP went out for external auditing services, RSM was the awarded firm in that competitive process. And after that, the District had an additional negotiation with them and they agreed to lower their fees from that award process by an additional 7%. But going forward, he stated he was flexible if it is the will of the Committee to try to further reduce the hours. Another point he explained was that they are in the middle of a three-year contract, and regarding changing their fees, that would not come in this current year in his estimation. It is a three-year contract with an option to renew two additional years, if mutually agreed upon. So the discussion of reducing fees would not be within the three year period.

Mr. Albert Lopez said that they could get a legal opinion on that, but if they have a three-year contract, there is a way to minimize costs, have savings, and have more dollars available for the children. But there probably needs to be a legal opinion on that.

Mr. Norwood stated that there seems to be a negotiation happening about hours of this firm, and they need to understand the power they have or not. And maybe they need to

get an opinion from procurement or from the attorney to see if this is something they should even be engaging at this point.

Mr. Erick Wendelken, ABAC Member, asked Mr. Friedman how many labor hours RSM gives to this project.

Mr. Friedman stated he does not have that number in from of him, but it is a combined thing. RSM provides 70% of the effort, including all supervision and review, and 30% comes from the SBE firms. But most of the time what can be potentially allocated is staff time. They cannot cast off review and responsibility to someone else. That 30% of effort is staff time. And in a typical engagement, staff time is usually 30% to 40%, so there is a small percentage that we do in staff time, and a large percentage is done by their small business partners, which is how they train them so they can later go out and do smaller audits on their own. There are two different desires for the District. There is the desire to save money where possible, and the desire to help support and grow small business. Also, the staff hours come in at the lowest rate per hour, which is probably at \$90 to \$100 per hour. RSM is open to do this, but the majority of work that can be allocated to Internal Audit is the small business partners, and they are respectful of their desires.

Mr. Wendelken asked Mr. Friedman if he could provide the hours, rates are not needed, so he was aware how labor intensive this engagement is to RSM. He also asked what involvement would audit staff have in the preparation of the audit that would maintain independence. Would they be maintaining workpapers or involved with some higher-level process which might interfere with auditor's independence.

Mr. Friedman stated internal audit would be doing actual staff testing work, and perhaps providing support to the Finance team who has a great challenge to gather information across the enterprise. They would treat the audit staff the same way they treat their staff or SBE staff where the staff auditors would be performing detailed testing, and RSM would be performing the review. And when using the work of internal audit, review is performed and a re-performance of a sample of transactions is how structure works. Very prevalent in SEC world and private, but don't really see this in the government space because of the conflict with the desire to support small business initiative.

Mr. Goodman also pointed out that currently, and for the last number of years, the external audit firm does rely on a significant part of our audit work, and this has already been factored into the pricing. RSM does rely on school audits, inventory, property audits, our performance audits, and issues with internal controls that we find. They review that as well. He does appreciate Mr. Lopez pushing this item and having thorough discussions. Mr. Goodman offered to come back with a formal recommendation at the next meeting if committee wishes.

Mr. Norwood agreed with a recommendation from staff in consultation with Mr. Lopez, or with Mr. Wendelken if he wants to be engaged as well. Mr. Norwood also recognized Dr. Jose Dotres, Superintendent, now present at the meeting.

Ms. Mari Tere Rojas asked a question about the IT department, an extremely important department. She was at Miami High earlier, and there was a group of 30 students, who due to a grant received in conjunction with Florida International University, are now

learning about pathways available in cyber security and all the opportunities there for them. A cyber security specialist can start at \$80,000 salary. Ms. Rojas also discussed that a major threat or concern for MDCPS is a breach in cyber security. As you continue with the audit, she asked Mr. Goodman if he was going to also be looking at how we are developing RFPs to support our infrastructure. Also, equipment and software licenses as well.

Mr. Jon Goodman addressed Mr. Friedman, and asked if he had an answer for that, if as part of audit work, do you look at process of infrastructure for IT, and to what extent that is covered in financial statement audit.

Mr. Friedman stated that yes, they look at infrastructure, the focus being the financial systems rather than operational systems. The District has a lot of systems running, and what we can look at other systems, including operational. We are here to help and look at anything you'd like and bring specialists in to help. But for the financial audit, focus is the IT general controls, and does include the core infrastructure for financial systems. When you had issue, that wasn't the financial systems exposed, that was other systems.

Ms. Mari Tere Rojas reiterated that looking at the development of RFPs in these particular areas would be very helpful to our team at the District level.

Mr. Jon Goodman stated that her point was taken, and going forward, in our Audit Plan, we do have a lot of cyber security and IT coverage. And regarding the point that you made about the procurement and development of the RFP process, that can definitely be included in our internal audit program. It is generally outlined in the audit program, and as we start an audit, we look at it more thoroughly and the associated risks.

Mr. Norwood noted that this is the first time he has seen our external auditor present through video, and that he would have liked to have known this because he would have liked and expected that somebody be here physically present from the firm. This is the first time he believes that has been done.

Mr. Jon Goodman stated that he will take responsibility for that. RSM always shows up in person for years and years, but something came up with Mr. Friedman's schedule that was urgent and unexpected, and he did reach out to me. I stated that we could arrange it virtually. In retrospect, I probably should have run that by you as well.

There being no additional questions or comments made by the Committee, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Erick Wendelken, carried unanimously to recommend that **The School Board of Miami-Dade County, Florida – Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2022** be approved.

**5. Presentation FY 2022-23 Executive Summary Tentative Budget  
(INFORMATIONAL)**

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Chief Auditor, Mr. Jon Goodman, introduced Mr. Ron Steiger, CFO, to present the item.

Mr. Ron Steiger began by stating that the 2022-2023 budget process was a very long budget process this year from beginning of legislative session to now. And to further complicate things, they changed the budget system from Cognos to SAP. Although the District has actually been using SAP since 2009, the budget system being used was Cognos because SAP's budget system did not meet the needs of the District. SAP's hardware could not handle the District's complex allocations, but SAP has since advanced. They have now made the transition from Cognos to SAP so they could be consistent with the rest of the District.

Mr. Steiger stated this is the community's budget. We have our parent and community budget committees, subcommittee of the FCIAC. They meet multiple times a month starting in September of every year, and they just finished in July. It is a lot of hard work from a lot of dedicated community members and parents. From the very beginning, we are trying to figure out our FTE estimates, and through when legislative committees meet and through the actual session. We also have a Principal's budget committee which meets right before legislative session starts and they act as our guide on some of the tough decisions we have to make. And finally, we have our Cabinet. And Cabinet comes with a lot of information about potential cost increases, ideas for how we can balance and where investments need to be made.

This year we have a Governor's budget which looks like we have a substantial investment in public education, which we do. But with the inclusion of the Family Empowerment Scholarship, we will have nearly 30,000 kids who are going to private school funded by the public tax dollar. And unlike the corporate tax scholarships, that money does not flow separately to the private schools. It comes through our budget. So we see a very large increase in our budget of over \$200 Million from 4<sup>th</sup> calc to 2<sup>nd</sup> calc. But that has to do with a nearly 10,000 student increase of private school kids in Miami-Dade being funded by the public tax dollar.

Secondly, we have a large growth in charter schools. The \$200 Million is really less than half of that when it's just our money. Other big things happened this legislative session. In 2018, the Florida Constitution was changed so that everyone working in the State of Florida by year 2026 has to get paid \$15 per hour for labor. We had a plan to get us there slowly by 2026. The Florida legislature fast tracked that for school districts, and by October 1, 2022, everyone has to make \$15 per hour. To meet that requirement, it is a substantial investment to the District and includes positions that still make less than \$15 per hour such as clerical, custodians, security monitors, and the like. That cost increase took over half of the increase the District received from the legislature.

In addition, the District had nearly a \$20 Million increase in the Florida Retirement System (FRS) from Tallahassee. There was an increase in health insurance as well which takes up the remainder of the increase the District received this year. So we were able to balance the General Fund. With the new revenues received and all the additional cost increases, there was not room for much else.

Two other big things occurred. The first involved the referendum. In November, we go back to voters for 1 mill for 2023-2024. But focusing on 2022-2023, it is .75 mills. That .75 is split 88% in teacher salary increases and 12% for school safety and security. That 12% was not shared with charter schools. But the District took an extra part of their 12% safe school allocation and the District directed a part to charter schools as if they were getting referendum money. But that was not the case for the 88%. Regarding the 88%, there was a lawsuit in Palm Beach and in Miami-Dade as well. In both cases, the charter schools won in the court of appeals. So for 2022-2023, because of those cases, the District is going to have to share their .75 mills with charter schools and that costs in total over \$70 Million. The District does not need to worry about the 12%, because they have already shared that in past with charter schools, but they now need to address that 88%. They had to establish a payable in the budget of over \$60 Million for charter schools to get their share of the referendum. We knew we were going to have to share that referendum money in 2023-2024, but those court cases forwarded this by one year.

Question is how do we fund this? What does the referendum pay for? Referendum pays for security and teachers' salaries. So is the District going to have to reduce teacher salaries by over \$60 Million to account for charter schools' inclusion? Upon his arrival at the District, Dr. Dotres' instructions were that affecting teachers' salaries was a last resort, and to find anything possible to avoid having to touch teachers' salaries.

But the District is fortunate in two ways. One is that the District is going to have a higher than anticipated property tax roll for 2022-2023 than for 2021-2022. Initially, the State built its budget on a tax roll of \$2.6 Trillion, and Miami-Dade was anticipated about \$370 Billion, which was a 7 ½% increase. But what is coming in statewide is a 20% increase in tax rolls. For Miami-Dade, per what property tax appraiser estimated, instead of \$370 Million, it will come in at \$415 Million. For the vast majority of District revenues, this does not matter because all that the State does once they have set how much money they are giving to education, if tax roll comes in higher, they just lower the millage. So next year, it will be the lowest tax rate that Miami-Dade taxpayers pay for School Board taxes since the Jimmy Carter administration and around 6.5 mills. We have a cap at 10 mills and we use to border that cap, and we are so far below. Great for taxpayers, but it does not help District in General Fund for the most part because they have lowered our millage, so we don't get any more money. But not true with the referendum because that is not sent to Tallahassee. Tallahassee has no control over what our millage gets to be. The School Board controls that completely and the anticipation is that they keep it at .75 mills. If as a District we keep the .75 mills, most of that \$60 Million liability will be covered by the increase in the property tax roll and will make sure teachers stay whole regarding what they received from referendum.

The small portion that is not going to be covered by the increases in the property tax roll is covered because we have had vacancies throughout the year. But we budget the referendum as if every teacher position is filled, even if we know it is not going to be. In the past, we took the extra unspent funds, since it has to be spent 88% on teacher salary, and we went back to HR and labor relations, and they negotiated with teachers for a one-time non-recurring bonus payments which was later Board approved. This year that extra amount will now be able to cover charter schools. With these two things, we are able to cover that massive liability that the courts have imposed upon the District.

The third issue is the other inflationary expenses. Costs are going up across the board, including at the District. Gas, food service, paper, and costs are going up. In this budget, we have been able to put money aside just for that from these funds being received. We have made a redirection. In prior years, we set aside money for Covid-19 costs. But these have recently gone down, and instead we have redirected some of that to move it to our next big pressure which is inflationary costs.

Big liabilities were inflation, \$15 per hour issue, FRS costs, and charter schools being added to referendum. We were able to do all those and not have to make programmatic reductions. The school allocation plan gets left untouched, classrooms get left untouched, and we able to enter the year, not making perhaps same level of investment as we normally would like to for General Fund, but able to pick up these liabilities without making major reductions.

Last issue is outside the General Fund, but certainly part of the budget. It is ESSER, or our Federal stimulus funds. Through our incorporation of community and our plan far before the State even approved it, Miami-Dade had already started spending those funds way in advance. Our assumptions proved correct. ESSER I which is now 100% spent had a deadline of September 2022, ESSER II deadline is September 2023 and we are 80% spent, and ESSER III which is due September 2024, we are 20% spent. We acted early. Our plan was early to adopt and early to implement, and it was able to be adjusted. We directed our priority spending where successful. We were able to look at initiatives and were able to take \$24 Million of these funds to the Board, had budget workshops with the School Board, and through a recommendation of Dr. Dotres to the School Board in the public hearing next week, the plan is to reinvest \$24 Million where it needs to be.

That is the budget for 2022-2023. It is a tentative budget of just under \$7.3 Billion, and probably the highest budget we have for at least the next decade.

Mr. Stephen Johnson, ABAC Vice-Chair, thanked Mr. Steiger for the presentation and opened the floor for questions. (Mr. Norwood had passed the gavel during the presentation).

Mr. Erick Wendelken asked about the taxpayers paying the highest tax rate close to 20% and some paying lowest millage at 7.5.

Mr. Steiger clarified explaining the ad valorem process for estimating property tax rolls. The State estimated a tax roll increase of about 7.5%. The State legislature uses that number to balance their budget. Then they set an amount they are investing in education. But State does not set what our tax roll is going to be. Each individual local property tax appraiser sets what the tax roll is going to be estimated at. They do work in June and July, and their final July role statewide is not a 7.5% increase, it is a 20% increase. But the School Board itself is lowering millage in a historic way, but it's still maximizing its millage. Even so, it will be the lowest millage since Jimmy Carter. Other municipalities might not lower their millage at all. The County announced only lowering by 1% and they will see a massive increase in revenues, and other municipalities may not lower their millage at all. But we are recruiting for the same employees, my School

Board, school bus drivers, IT staff, accountants, finance staff, and I will have a lot less money than every other municipality in Miami-Dade to be able to increase salaries. What is a benefit for the taxpayer is a burden to Administration in that we have to figure out how we keep our staff because salaries in other municipalities will be able to increase more than us because they will have more money because they are keeping their millage flat, and we are lowering ours.

Ms. Mari Tere Rojas thanked Mr. Steiger and the Superintendent and stated that they have had comprehensive workshops and stated that for us it is absolutely crucial that our human capital be priority one because nothing can be achieved without the human capital component starting with our teachers and our entire workforce. Some tough decisions may need to be made in reference to some of those extra dollars. Programmatic decisions were made all the time in past, but now we have to look very carefully at the fact that we now have openings, and we are losing teachers on an annual basis, a local and nationwide crisis that was exacerbated by the pandemic. And it is not just our teachers, but the entire workforce. This is difficult and there will be many challenges. My colleagues on the Board all value human capital very much, as I do. This is something we have to be very conscientious of as we proceed with the budget process and the final authorization of the budget which will be taking place in the very near future this month. I wanted to put that on the record.

Mr. Albert Lopez thanked Mr. Steiger and his staff for this massive undertaking. He asked if there is anything in this budget, if it doesn't go quite right, that you may need to make massive changes in operations. Anything here that keeps you awake at night?

Mr. Steiger responded that the budget is a series of assumptions each year. The budget is balanced first at a very high level. But then balanced from ground up, item by item of budget. First day of great concern is when balancing comes out. Second time is October and November, when projections come out, and we see if assumptions made were correct. What keeps me up at night is did we make assumptions correctly based on the analyses made. There is not one particular issue this year that is nerve wracking for me. We made so many assumptions, even though it was done on sound data analysis. Mr. Steiger also added that at multiple points during the year, they see where the budget stands. And he also explained that the District reserves are at a very strong level, well over 10%, the unassigned fund balance was well over the 5 ½% that is required in Board policy, and substantially over the 3% required by law. If there was a poor assumption made in the budget process, I am completely confident that the District finances are strong enough to absorb whatever cost that is. I have zero concern about District financial ruin, because we are in a strong position from a reserve standpoint.

## **6. Office of Management and Compliance Audits' 2022-2023 Audit Plan (ACTION)**

Mr. Jon Goodman explained the FY 22-23 final Audit Plan and that the ABAC discussed the proposed Audit Plan at its last meeting in May. We are finalizing the ESSER related audit and audit of construction related warranties. We have begun the audits of the payroll process and the collection of impact fees and are currently contracting with the awarded firm for network security assessment and cyber testing. Other audits slated for this year include an audit of food service operations and an audit of the building inspection process. As always, we will be conducting statutorily required audit of

schools' internal funds and property audits, as well as review charter school financials. Mr. Goodman explained that for a period of time, in transition between chief auditors, we had challenges filling certain positions in the office, but we are sufficiently staffed at this time.

Ms. Mari Tere Rojas inquired about page 6, the audit of building and inspections, and she asked if this also includes safety to life.

Mr. Jon Goodman replied that safety to life issues would be included in that audit.

Ms. Rojas asked if the safety to life would be listed in the document, and expressed safety to life should be part of the audit plan because it is critical and must be done in an expeditious manner.

Mr. Jon Goodman stated that he can add a sentence including safety to life issues in the audit plan. And if and when they approve this plan today, the approval will include that additional sentence for safety to life issues.

Ms. Rojas inquired about page 5, in relation to IT when RSM was making their presentation, and she stated there have been questions by members of our Board in reference to RFPs that come from IT. The community at large and everyone would be more comfortable if they can be reassured that all procurement items coming from that IT department are solid and viable. We have a great team, but this would be an extra step to make sure of that.

Mr. Jon Goodman stated yes. He will include the procurement and acquisition portion for IT as she suggested.

Ms. Rojas stated that although the external GOB audit for the second part is not included in the audit plan document, she will be bringing it to the Board very soon. We did the initial, the halfway point, and now we are getting to the latter part of the \$1.2 Billion investment with the General Obligation Bonds. She wanted to make sure that although this audit was not in the audit plan document, that it was on the radar.

Mr. Jon Goodman stated yes, thank you.

Directing the question to Mr. Goodman, Mr. Stephen Johnson stated that he did not notice any projects directed at or towards School Board police operations. And I know we are asking the community to invest more into the security and safety of our schools. Is this something you can consider for this time, or maybe consider for next year.

Mr. Jon Goodman stated that, based on formal and informal risk assessments, he would like to consider it for next year or after.

There being no additional questions or comments made by the Committee, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC Vice Chair Mr. Stephen Johnson, carried unanimously to recommend that **Office of Management and Compliance Audits' 2022-2023 Audit Plan** be approved.

## **7. Internal Audit Report – Selected Schools/Centers (ACTION)**

Chief Auditor, Mr. Jon Goodman, introduced Ms. Tamara Wain, Assistant Chief Auditor, to present the item.

Ms. Wain presented the July school audit report consisting of the audit results of 80 schools and centers and briefly summarized the audit report as follows:

- The audit scope for the 80 schools and centers reported was one fiscal year ended June 30, 2021.
- At 14 of these schools and centers, there was a change of principal since the prior audit.
- The financial statements were fairly stated for all 80 schools and centers in this report. However, at two schools, the audits disclosed that controls over the documenting and reporting of payroll and controls over the disbursement function and prenumbered forms inventory need improvement.
- Regarding property inventory, audits were conducted at 96 schools and centers. Although property inventory results were mostly satisfactory, at three schools, four equipment items with an approximate cost of \$12,000 and depreciated value of \$0 were reported as unlocated. At one school, a loss of one equipment item with a cost of \$1,200 was reported through the plant security process.

Ms. Wain concluded presentation and indicated that their office and Dr. Pace from the Office of School Leadership and Performance were available to answer any questions related to the report.

Board/ABAC Member Ms. Rojas congratulated those schools and stated that 78 out of the 80 schools/centers included in this report had a very positive outcome. But again, there were two exceptions that were identified here, and we are again talking about payroll related issues, which is a subject matter we talk about repeatedly. She understands this issue is addressed through Money Matters, the District and Dr. Pace's team. She wanted to know if this is being monitored daily at the site, and later also asked about the role of the Business Director at the region office that is assigned to the school. She asked Dr. Pace to elaborate on both issues.

Dr. John D. Pace stated that payroll should be monitored daily by the payroll clerk, as well as by the Administrator. Also, payroll is monitored and approved bi-monthly before any payroll is approved. But in this case, it was not being monitored daily. Also, there is a Business Director at all three regions. They have internal review teams that go out to the schools to meet with Principals to review property, payroll, and internal funds. The teams do snapshots at a moment in time. And unfortunately, they may not catch all the weeks or moments reviewed by the internal auditors. This process is in place and done randomly, but the Principal is notified that the team will come. It includes the Business Director, Principal, and maybe Executive or Lead Principal who has expertise in budget. And master Treasurers may also participate.

Ms. Rojas stated that in this report there were 14 schools that had new administrators. One of the schools cited here had similar findings with the previous administrator and the current administrator. First, she asked what is being done to provide guidance and assistance before having a negative outcome with brand new Principals. She also asked

that for those Principals who are already attending Money Matters, what else was being done.

Dr. Pace stated that aside from Money Matters that Principals attend, possibly attend with Treasurer, Registrar or other staff, they also have Leader to Leader workshops that they assign to those Principals that pertain to the specific audit exception. And again, the internal review team will return to that school. The internal review team also returns the following year. They also have the Principal's Induction Academy, which trains first year Principals in budget, finance, and everything to avoid audit exceptions. Aside from that, new Principals are also targeted by the region to have the internal teams come out and review property, internal funds, and payroll.

Ms. Rojas asked how many of the Treasurers positions are open.

Dr. Pace replied that as of today there are 11 open Treasurer positions, and of those 11, five of those positions have become open in the past month. Of the 11, there are three schools that have a new Principal so those are being prioritized to get that Treasurer position filled. Two schools have identified a person, but not yet hired.

Ms. Rojas also asked is there succession management in place, and will those positions be filled by start of school.

Dr. Pace stated that they have instructed Principals to do cross training, such as Treasurers and Registrars, and hourly clericals too. Dr. Pace expressed hope that they will fill those positions by the start of school, and they also have a hiring fair.

Ms. Rojas also asked about property inventory audits for 96 locations. This included 19,300 equipment items for \$52 Million plus. That is quite a task. She congratulated those that made it possible and for the positive outcome. Many were thanked but custodial staff was highlighted.

Dr. Jose Dotres, Superintendent, elaborated about the Leader to Leader program that has evolved. That was designed for Principals or Assistant Principals to select among a menu of different courses. Now, based on the need or situations arising in certain schools, such as audit exceptions, the regions are asking Principals to participate in Leader to Leader professional development workshops that address school issues or areas that they may need growth in. It is an added layer to Money Matters, and he commended Dr. Pace and School Operations for incorporating that now.

Mr. Albert Lopez asked, regarding the payroll issues, how do we get satisfied that there is not a fraud situation.

Ms. Wain replied that the several changes in payroll clerks during the audit period up to present time contributed to errors found. At the school, there were three changes in payroll clerks and most of the errors occurred during the employment of the recent ones. Both employees lacked prior payroll experience, and the former also had no payroll training. There was also lack of oversight by the school administration. The Principal or assigned designee did not carefully review payroll records prior to approval, so errors went unnoticed. We did not feel it was intentional nor did anyone benefit from it. In

response to Mr. Lopez's further question about magnitude of errors, Ms. Wain stated that for those items that needed correction, it was about \$4,100. For those that were having hours deducted from paychecks, they were given several months to make the corrections so that employees would not be impacted all at once. Corrections were scheduled to have been completed by June 30, and auditor will be visiting the school to verify.

Mr. Wendelken asked about disbursements and detailed that 75% of disbursements had a non-compliance rate, and Ms. Tamara Wain confirmed. He felt that issue may need more discussion by the Committee despite the recommendations. Ms. Wain explained that the Treasurer involved with the disbursements and prenumbered forms issues was an experienced Treasurer, the school did receive a finding several years ago related to Internal Funds, and the Treasurer has been at the school seven years. But they looked at so many disbursements because they were looking at a specific cheerleading activity. The cheerleading sponsor was involved in these purchases. With the approval of the Administrator or Treasurer, these purchases were processed incorrectly. Some of these issues involved purchase orders and reflected that purchase approvals were made by administration prior to orders being placed.

Dr. Pace stated that that the personnel involved in these matters have been addressed by the new Principal. This was not the Principal at the time of the audit exceptions. These matters have been documented and addressed for those personnel involved.

Dr. Dorothy Bendross-Mindingall, School Board member, stated that she is glad they are delving into these issues. She stated that being a Principal is an intense job, and that nonetheless, Principals are responsible, and she asked that they give all the assistance they can to all Principals. But stated that these things should not occur again.

Mr. Norwood asked about the 47 disbursements to understand if every one of the 47 disbursements had a problem. Ms. Tamara Wain explained that some disbursements had multiple issues, and some disbursements did not have any issues, but that she would have to go back to the documentation to then provide the number with issues. It was not 100%. He asked if this number of errors had been seen before. Ms. Wain stated that they have seen this before, and that it did not happen often. But that when they did see that error rate with a high percentage, they did report it as an exception.

Dr. Pace reiterated that they placed a new Principal at that school. Prior to that Principal, they had the transition of two Principals. One Principal left in June, then another Principal came in, and the current Principal there now came in November. We see where some oversight may have been missing. With the current Principal now, Northwestern is expected to get back on track with no audit exceptions as it had in the prior four years.

Mr. Norwood requested clarification regarding the number of Principals present during the audit period. Ms. Wain clarified that because of the audit issues found in the audit period involving the 20-21 year and which did involve only one Principal, they extended their tests to the 21-22 year, where there had been another Principal in place. Issues were found under these two former Principals, but not under the current Principal.

Dr. Dorothy Bendross-Mindingall, School Board member, stated that they do not want to disparage any Principals at that school, but whatever needs to be done to correct these discrepancies should be done.

Mr. Wendelken made the point that even though the Principal is ultimately responsible and approves what is brought to her desk, the Treasurer, who had been at this school for many years, either had training that was deficient, or knew that the Principal was not being provided fully supported documentation.

Mr. Stephen Johnson, ABAC Vice Chair, asked what exactly has been done to help this Administrator and Treasurer, specifically at this school. He later asked how often assistance is being provided to the school.

Dr. Pace reiterated that the Region has the internal review team, master Treasurer working with this Treasurer to ensure compliance going forward, along with Principal working with Budget Director, monitoring for next 12 months, to ensure these errors do not happen again. Dr. Pace also indicated that assistance is being provided monthly to the school, and that this is outside of the Leader to Leader and Money Matters.

There being no additional questions or comments made by the Committee, a motion duly made by Board/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Jeff Kaufman, carried unanimously to recommend that the **Internal Audit Report – Selected Schools and Centers**, be received and filed by the School Board.

## **8. Audit of Virtual Private Network (VPN) – Security Controls and Access Management (ACTION)**

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Chief Auditor, Mr. Jon Goodman, introduced Mr. Luis Baluja, District Director IT Audits, to present this item.

Mr. Luis Baluja stated that their work disclosed three findings and six corresponding recommendations. In addition to the findings and recommendations in the report, he stated there were some additional findings and recommendations of a confidential nature that, in an abundance of caution, were not presented in the report. He stated that IT management is here to answer any questions you may have.

Ms. Rojas stated that she was not surprised with some of these findings because during this pandemic, everyone had to pivot very quickly. Because of lockdowns and all that occurred, situations were very difficult, and everyone tried their very best. But she stated that there is a need to develop specific policies and procedures so areas identified in the findings can be addressed. The Board continues to address this, and appropriate actions have been taken in some areas, and in other areas, we still need follow-up. Ms. Rojas stated this is something she will be looking at very carefully. Under recommendation #3, she asked Mr. Goodman and Mr. Baker to address the management response.

Mr. Baluja responded and stated that an auditor's comment was added after the management's response. At the time of this audit, when we performed certain tests, the information we were looking for to support the process being tested was simply not

there. It was not sufficient. At the time of the audit, the District had a tool in place that had limited reporting capabilities. Sometime last year, the District procured, awarded, and is implementing, a new tool that is much more robust. They might be using the tools in tandem. The new tool should provide more robust reporting, statistics, and metrics for monitoring not just VPN, but many other systems. But the point is that when we conducted our testing, we did not have evidence of that reporting. A second component of that auditor's comment is audit follow-up. Mr. Goodman is a big proponent of audit follow-up, and this serves as a catalyst to be able to go back and make sure that management has implemented what they stated they were going to do in a timely manner.

Mr. Eugene P. Baker, Chief Information Officer, ITS, responded and explained that we concur with all the findings. We made modifications and corrections for every single one. For this particular finding, the recommendation was to continue doing what we were already doing. Our expectation is to fully have this implemented, at least for the VPN and some other features, by the opening of school. At that point, our thinking was that we are implementing the solution, we have procured the product, and we are tuning and configuring at the moment. This tool will do more than simply review, log, and identify issues/anomalies with VPN. I welcome the audit department to come relook at these findings and they will see they have resolved most everything.

Mr. Goodman stated that it is true that the administration had already taken steps to procure the software to monitor this. We were uneasy with the time it was taking, and we felt the need to issue a finding and recommendation. We wanted to challenge the administration to ensure this happens in a timely fashion.

Ms. Rojas thanked both Mr. Goodman and Mr. Baker and stated that she understood the findings and that IT was already implementing and working on a solution prior to the school opening, and that the main issue was the timeliness of the implementation.

Mr. Lopez, ABAC Member, was concerned about steps being taken. Do we go back to check remediation of these findings, including those that have not been provided because of security reasons? What is the status? What is the process to go back and confirm the steps that have taken place for all findings, and are we satisfied with steps? Mr. Lopez also later asked if this is something that needs a month or two months for follow-up, as it was presented with urgency and sensitivity, which means the audit group may need to follow-up on an urgent basis also.

Mr. Goodman stated that depending on the sensitivity of an issue and a finding, we do have a process for following up. Typically, it would be six months or so. In this instance, this is a very sensitive and important issue. We just issued the report last week, and we will follow-up sooner than normally is done because of the importance and sensitivity of this. This will include a timely follow-up including the items that are confidential and not for public inspection.

Mr. Baluja stated that follow-up has not occurred at this current time, as the report was just issued, and management would need some time to implement fixes. But we will be following up in a timely fashion on these mitigation strategies that have been implemented. Mr. Lopez stated that it seems that some of the exceptions are

documented as having been remediated. Mr. Baluja explained that is management's response. We have seen some evidence that some issues have been addressed, as in the form of Weekly Briefings addressing VPN issues, but we need to follow-up on other portions.

Mr. Lopez stated that his point is that for those that have been remediated due to urgency, ensure remediation has been complaisant. To those that have not, give the appropriate time for the remediation to take place and follow-up as soon as possible.

Mr. Goodman stated that was a very good point and that his team is committed to following up in a timely fashion to all these findings and will also consider what stage of remediation they are in.

Mr. Baker welcomed the audit department's review of what they have mitigated thus far. A large potion has been mitigated. Of six findings, all but two have been mitigated completely through implementation of MFA, our VPN standards have been strengthened, and also implemented MFA in VPN. He welcomes audit review of processes and is confident they will be satisfied.

Ms. Rojas stated that there was a recommendation that management did not concur. She asked for Mr. Baker to elaborate.

Mr. Baker stated that the response addressed whether it was a finding at all. His opinion was that they were implementing what management audits was recommending. It was in progress. Therefore, it was implemented, and they were tuning and configuring. He did concur with documents that audit had. But because they were implementing the solution that they told him to implement, and had procured a solution based on the cyber security plan, and did so based on NIST standards they are referring to, he found that regarding the finding itself, they were already doing it and was in place. That is why they did not concur. He did agree that the document presented was lacking, and that is why they purchased the new solution.

Ms. Rojas asked what happens with this official document. She asked if the recommendation was going to be revised based on what has been stated today.

Mr. Goodman stated that the audit report is the audit department's report, and they determine what their findings and recommendations are, and will not be amending or modifying the audit. We recognized that the administration identified an issue for improvement, and they actually started the procurement process. But we still found the need to issue a finding because it has not been implemented or remedied, even today. We found the need to issue that finding and recommendation.

Mr. Wendelken stated that the speed with which this is happening is audit's concern which is why you state expedite. But you both agree that it is in process, but you want it done faster.

Mr. Goodman essentially agreed with the fact that it is in process, but he also said that timeliness is an issue. They need to make sure the implementation is done in a timely fashion.

Dr. Jose Dotres, Superintendent, stated that when he was debriefed yesterday on the report by Mr. Goodman, the bottom line was that they audited the process, the system was not in place, and it needed to be in place. ITS will be making sure that it's in place as we move forward. Through the budget process this last weekend, there were Principals that had to access VPN and they experienced difficulty. But the difficulty was good because it involved VPN issues because security-wise, they were not able to get in because of the MFA. We need to remove individuals that have VPN and should not, and that needs to be done based on usage as well. If there are individuals that have not been using VPN, they should not be on the list. We want to narrow the scope of individuals having access to VPN and avoid this becoming a potential security issue.

There being no additional questions or comments made by the Committee, a motion duly made by ABAC Vice Chair Mr. Stephen Johnson, and seconded by ABAC member Mr. Albert Lopez, carried unanimously to recommend that the **Audit of Virtual Private Network (VPN) – Security Controls and Access Management**, be received and filed by the School Board.

## **9. Office of Management and Compliance Audits' Activity/Status Report (INFORMATIONAL)**

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Mr. Goodman stated that Ms. Laynet Perez has joined the Civilian Investigative Unit as an investigator, and he also introduced Mr. Rey Montana, Executive Director of CIU. He also introduced Ms. Elvira Sanchez, CPA, CFE and explained she has returned to this office as Executive Director in District Audits Division, after 2 ½ years in the Accounting department. He welcomed any questions or comments from committee members.

Ms. Rojas thanked Mr. Goodman and commended him for an excellent report and asked if he needed more staff or if he was comfortable with the staff he had in place.

Mr. Goodman replied that he is comfortable with the staff he has now in place, and his department is fully staffed.

Dr. Jose Dotres, Superintendent, also commended Mr. Goodman. On this Board item, Mr. Goodman brought forth about six or seven job descriptions, he is reanalyzing the staff, and creating a trajectory from staff within. With my HR background, he stated that when he sees that type of process and intentionality, that is good. He is creating additional pathways with his department and then analyzing requirements that may limit his ability to seek talent. And now he is opening the door for greater talent. That is part of D-21 that will be presented tomorrow.

Mr. Goodman thanked Dr. Dotres and stated that in the Activity Report he referenced amending slightly some of the job descriptions in the audit function. There are concerns in the new labor market we are in. In certain cases, an auditor does not necessarily need an accounting degree, but they need a business degree which has some accounting. In some cases, an audit position doesn't need to necessarily be a CPA, but can have a certification called Certified Internal Auditor, a very important and valuable certification, which he is encouraging his staff to get. We also tweaked the required experience for some of the positions. This will provide a wider net to draw from going

forward, especially at the entry level and mid-level positions. I also placed thought into succession management. This action is a proactive step to make sure we can attract employees going forward.

Mr. Norwood welcomed Ms. Perez, and also welcomed back Ms. Sanchez.

**10. Evaluation of External Auditors (Fiscal Year Reporting Period Ended June 30, 2021) and the Internal Audit Team (Fiscal Year Ended June 30, 2022) (INFORMATIONAL)**

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Mr. Goodman stated these are the annual survey evaluations of the external auditing firm, my office, and myself. I would characterize the evaluations as very favorable, although there were a couple of ABAC members who expressed concern about whether my office was fully and adequately staffed. But as addressed a couple of times in this meeting, yes, we are fully staffed. He welcomed any questions or comments from committee members.

Ms. Rojas again congratulated Mr. Goodman for doing a superb job, and to other members being evaluated, as this includes not only internal, but external stakeholders. Congratulations to all for doing such a wonderful job for the 4th largest school district in the nation.

Mr. Norwood concurred with Ms. Rojas' congratulatory remarks.

**11. (a) OIG Request for a Second Status Report Regarding the Implementation of Driver Education Program Recommendations; Ref. IG-17-0001-SI (INFORMATIONAL)**  
**(b) Receipt of 2<sup>nd</sup> Status Report Pertaining to the Implementation of the OIG's Driver Education Program Recommendations and Request for a 3<sup>rd</sup> and Final Update in November 2022; Ref. IG-17-0001-SI (INFORMATIONAL)**  
**(c) Review of K12 Florida, LLC Transfer of Funds to the Foundation for New Education Initiatives, Inc., Ref. IG-20-0008-SI (INFORMATIONAL)**

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Jon Goodman introduced Mr. Thomas Knigge, Office of Inspector General Supervisory Special Agent, to present status reports on corrective action for two investigations the Inspector General previously conducted.

**(a)** and **(b)** Mr. Knigge stated the report is a follow-up on recommendations that had previously been made. On September 14, 2021, the IG presented the report on Driver's Education where they made 8 recommendations, and then Superintendent Mr. Carvalho accepted all 8 recommendations. Now we have a new administration with Dr. Dotres as Superintendent. Mr. Torrens had been spearheading and ensuring recommendations were implemented, but since he has left, Ms. Fazzino has inherited that job. I am saying this to indicate that there is still a commitment from this administration to ensure these recommendations are implemented.

There was a 90-day report received on December 10, 2021, and some progress was made in the implementation of these recommendations. There was still some work to be done, so we asked for another 90-day report, and that is the 2<sup>nd</sup> Status Report

provided today which reflects further progress, and that they have gotten to adaptive cars. In this 2<sup>nd</sup> report, we see they have placed cages, so they are protected. There is still some work to be done, and Mr. Steiger and his team have been engaged with the County OMB to ensure they rectify their ineligible expenses. No solution yet, but there is constructive conversation.

Regarding the summer driving program, Mr. Knigge stated that one of the issues of accepting funds from the County for this grant was being able to have nonpublic school students have access to driver education programs. They do have a summer school program now, and it's at three schools in the District, so this has been implemented. We did an impromptu visit from my office to all three of those locations in the last couple of weeks. We did see classroom instruction and saw students driving on the range. We did an impromptu raise your hand as to who is a nonpublic school student, or who is an MDCPS student who did not have a driving range at their school. The vast majority of students fell into that category of a nonpublic school student, or an MDCPS student who did not have a driving range at their school.

We asked for another status report due to us on November 15, 2022, to see some specifics about the program. We are still looking at the adaptive vehicle. They did purchase two vehicles, but they have not been outfitted yet. If there are any questions, I will accept them now, before I go into the next report.

Ms. Rojas expressed a concern. She stated that in an excerpt from the memorandum from Mr. Jimenez, it reflected that there are some areas that have been addressed to some degree, but in the report, it states that some progress has been made, but there are many that have yet to be implemented. Can you elaborate on the word "many" and if you have communicated this to the new administration?

Mr. Knigge reminded that there are 8 recommendations. He stated that the discussion and issue with the County OMB and the District is on-going process and has not been rectified. When we say "many", there are the adaptive vehicles as well. The cars have been purchased but have not been outfitted yet. Also needed are driving instructors. There was a recommendation made that they try to get some funds from the County in advance, as opposed to in arrears. That is on the back burner as the other issues need to be addressed first. Progress has been made, but there is still work to be done.

Ms. Rojas stated the Superintendent will take the lead on this, and Ms. Fazzino, and those involved in this process, and she is sure ABAC and School Board Members will be kept apprised of the status, because again, they are talking about the timeliness issue. It is imperative because a lot of students need this opportunity. Happy to see that three schools have it, but we have a lot more than three high schools. She stated she is looking forward to a conversation with the Superintendent and those working on this to see the plans for the 22-23 school year so many more students can have this opportunity.

Mr. Knigge interjected that the three schools he mentioned that had Driver's Ed are for the summer program. He stated there are additional schools for the school year that will have this program in the District, not just the three.

Mr. Rojas then inquired how many schools will have the Driver's Ed program during the school year, and later inquired about how the schools are selected and identified for this program.

Ms. Melba Brito, Administrative Director, Division of Academics, stated that there are 15 schools that offer behind-the-wheel training during the regular school year. She stated that it should be increasing because they are offering an endorsement course. Ms. Brito also stated that the selection of schools is handled by Maintenance and Capital Improvement. It is based on the facility, and if the facility is capable of housing a driver education range.

Mr. Rojas then asked what if there are other schools that have the facility and availability of being able to house a driver education range, and she asked for the criteria.

Ms. Tabitha Fazzino, Chief Intergovernmental Affairs, Family, and Community Engagement Officer, explained that an analysis was done of existing facilities. Schools with existing driving ranges were looked at to see which could be quickly improved/renovated. In addition, schools were looked at that had secure places to park the vehicles, or where there could be cages quickly put in place. After that, an analysis was made of those schools where perhaps driving ranges had existed in the past. And we looked at schools where ranges still existed. There were some schools that had driving ranges, but they now have a building there. A full assessment of 48 schools was done, and between Maintenance and Capital Facilities, they prioritized the schools that could be brought on-line most quickly, and then the rest were put in a queue based on what will be required to put them up to speed.

Ms. Rojas asked Ms. Fazzino for a copy of that assessment report.

Mr. Albert Lopez stated that the largest item is \$6.2 Million that needs to be taken care of. In the report, it refers to purchasing two cars, securing some storage, and typical maintenance. He understands that that amount is still in on-going negotiations. He asked for clarification regarding the \$6.2 Million.

Mr. Steiger stated that the preponderance of those funds will be capital costs incurred to build the ranges and for cages. The County is being very diligent in ensuring certain criteria are met before they agree to anything, so we are providing them data, and are in that process. Mr. Steiger thought most questions had been asked by the County and that, in the end, the County will approve the District's plan to use most of that \$6.2 Million to significantly expand the number of schools offering the Driver's Ed program.

Ms. Sharon Watson, ABAC Member, asked regarding the 15 schools that have the program, how are they divided through the regions.

Ms. Melba Brito replied that it's based on what schools have the range and where the certified teachers are.

Ms. Sharon Watson stated she was curious as to how these schools might be available to students across the County and if those 15 schools also have adult programs in the

evening so students could sign up for a full Driver's Ed program if they did not have a school nearby.

Ms. Melba Brito replied that they have schools in South, North, and Central regions. She felt the 15 schools might be divided equally among the regions. And in reply to the adult school question, she said they are working on a way to make the program available to all students across the District and at the schools that don't currently have a range or offer the program.

Ms. Rojas stated that there are 9 School Board members represented. She wondered and asked if there is at least one school with a Driver's Ed program in each of the School Board Member districts.

Ms. Fazzino explained that physical issues determined the schools that had the Driver's Ed program. She did not know whether each School Board member voting district had a Driver's Ed program school, but she would provide the list. She stated that the program locations are geographically diverse.

Ms. Rojas stated that she wanted to have a conversation with the Superintendent, and she felt it was imperative that there was at least one Driver's Ed program school in each School Board Member district, since this is an amazing opportunity for children.

Dr. Dotres, Superintendent, stated that they have had to do an immediate lift of the program and must also have the teacher qualified. In this first phase, if we have not accomplished that, and with the endorsement course, our goal will be to have wide geographical representation and to make sure we have it in every School Board district. If we have not accomplished that completely in this first lifting stage, that will be an intentional approach that we will take. Staff has quickly located sites where we could do this so it could be available for students, but moving forward, the comprehensive approach on Driver's Ed will incorporate the inclusion of School Board member districts in the schools we select. Please see this as a phase process, versus the ability to be able to bring it out in one immediate action. Certification of teachers becomes important and through the endorsement course, we can facilitate a large number of teachers.

Ms. Rojas asked how long is the endorsement class?

Ms. Melba Brito responded that the program course is one year.

Ms. Watson asked if the 15 schools that have the Driver's Ed program also have tracks, and Ms. Brito confirmed they do, and therefore, do have behind-the-wheel training.

**(c)** Mr. Knigge stated this item was a follow-up on a previous report, presented to ABAC on July 20, 2021, regarding K-12 vendor donation to Foundation for New Education Initiatives. In that report, we had five recommendations, and they have all been disposed as of now. Our first recommendation to return the \$1.5 Million was rejected by FNEI Board. They kept it, and instead decided to give \$100 gift certificates to the teachers. The second recommendation had to do with taking action involving this type of donation from a vendor. The School Board took care of that even before our report was out. The third recommendation was a gift acceptance policy. The FNEI Board has amended their

gift acceptance policy to ensure they do not take any donations from any contractor, vendor, lobbyist, consultant or bidder that has a pending bid, proposal or contract award for District goods or services. The fourth recommendation had to do with the Executive Director and they codified the Executive Director in their policy to ensure separation between District and direct support organization. The evaluation had been completed by a District administrator. Now codified that someone from the FNEI Board will set the goals for the Director and do the evaluation. Also, there was a concern of separation of Finances. They had a signer in the account that was from the District. This is now amended, and there is no longer District personnel that signs on their account. Also, they were using a District credit card, and no longer use that card. They now have their own credit card. All the issues we had recommended have been done.

## **OLD BUSINESS**

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### **May 10, 2022, ABAC Follow-Ups:**

(a) Community Based Organization – Acceleration Academies, LLC (**ACTION**)

(b) Magnet Educational Choice Association (MECA) (**INFORMATIONAL**)

- Five Year Business Plan Dated 7/11/2022
- Potential Candidates for Vacancy Executive Director Position in Dec. 2022

Chief Auditor, Mr. Jon Goodman, introduced Mr. Michael Hernandez, CPA, Audit Supervisor, to present this item.

Mr. Hernandez stated that we are presenting the audited financial statements for Acceleration Academies, LLC, the last of the five CBOs with various fiscal years ended in 2021. This CBO was found to have an operating surplus in the income statement, and a positive member's equity as of December 31, 2021. I, along with management, are here to answer any questions you may have.

There being no additional questions or comments made by the Committee, a motion duly made by ABAC member Mr. Jeff Kaufman and seconded by ABAC member Mr. Albert Lopez, carried unanimously to recommend that the audited financial statements presented **Community Based Organization – Acceleration Academies, LLC**, be received and filed by the School Board.

(b) Item (b) was deferred to next meeting.

## **NEW BUSINESS**

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There was no new business to discuss.

## **ADJOURNMENT**

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Since there was no further business to come before the ABAC, the committee adjourned at 3:55 p.m.

JG:ems