

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
December 6, 2011**

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The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, December 6, 2011 in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Willie Kemp, Vice Chair  
Dr. Lawrence Feldman, School Board Vice Chair  
Mr. Thomas Davis, Lt. Col.  
Ms. Susan Marie Kairalla  
Mr. Jose I. Rasco, CPA  
Mr. Isaac Salver, CPA  
Mr. Roland Sanchez-Medina, Jr., Esq.

**Members Absent:**

Mr. Jeffrey B. Shapiro, Esq., Chair  
Mr. Frederick F. Thornburg, Esq.  
Mr. Mayowa Odusanya, Esq.

**Non-Voting:**

Dr. Richard H. Hinds, Associate Supt./CFO (**absent**)

**Call to Order**

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The ABAC Vice Chair Willie Kemp called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

**1. Welcome, Introductions, and Moment of Reflection**

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Mr. Kemp requested everyone in attendance to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Mr. Scott B. Clark, Risk/Benefits Officer
Mr. Alberto M. Carvalho, Superintendent of Schools	Mr. John Schuster, Chief Communications Officer
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Valtena G. Brown, Regional Supt.
Mr. Freddie Woodson, Deputy Superintendent	Mr. Jose Dotres, Regional Supt.
Ms. Millie Fornell, Associate Superintendent	Ms. Cynthia Gracia, Administrative Director
Dr. Helen Blanch, Assistant Superintendent	Ms. Marta Montaner, Administrative Director
Mr. Carl Nicoleau, Assistant Superintendent	Ms. Martha Montiel, Administrative Director
Ms. Judith Marte, Chief Budget Officer	Ms. Tiffanie Pauline, Administrative Director
Mr. Jose F. Montes de Oca, Chief Auditor	Dr. Ana M. Rasco, Administrative Director
Ms. Connie Pou, Controller	Dr. Janice Cruse-Sanchez, Administrative Director
Ms. Daisy Naya, Assistant Controller	Mr. Barry Meltz, District Director
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Mindy McNichols, Asst. School Board Attorney
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs	Mr. Ivo Gomez, Claims Compliance Officer
Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits	Mr. Eugene Baker, District Director
Ms. Debbie Karcher, Chief Information Officer	Mr. Felix Jimenez, OIG
Mr. Jaime Torrens, Chief Facilities Officer	Mr. John Labonia, WLRN, General Manager
Ms. Silvia R. Rojas, Treasurer	Ms. Eileen Reilly, WLRN, Business Manager

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Mr. Jon Goodman, Director  
Ms. Tamara Wain, Director  
Mr. Luis Baluja, Supervisor  
Ms. Michelle Denis, Supervisor  
Ms. Raquel Alexander, Administrative Assistant  
Mr. Jerold Blumstein, Administrative Assistant  
Ms. Jackie Fals, Administrative Assistant  
Ms. Ana Herrera, Administrative Aide  
Ms. Viviana Jordan, Administrative Assistant  
Mr. Blake Juste, Administrative Assistant  
Mr. Greg King, Administrative Assistant  
Ms. Ana Lara, Administrative Assistant  
Ms. Bertha Valcarcel, Administrative Assistant  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsie Berrios-Montijo, Administrative Secretary  
Ms. Lucila Gonzalez, Administrative Secretary

Ms. Cynthia Borders-Byrd, Managing Member  
Mr. Anthony Brunson, Partner, SBC  
Mr. Donovan Maginley, Partner, McGladrey & PullenLLP  
Mr. Brett Friedman, Partner, McGladrey & Pullen LLP  
Mr. Richard Kawedi, Director, McGladrey & Pullen LLP  
Mr. Marlon Hill, Delaneyhill P.A., Attorney  
Mr. Jorge Perez-Alvarez, CEO, Friends of WLRN  
Mr. Manuel Garcia, GLSC & Co. PLLC  
Mr. Demetrio Perez, Jr., Lincoln-Marti Management  
Mr. Dexter Lehtinen, Lincoln-Marti Management  
Mr. Dan Ricker, Publisher and Editor  
Mr. Scott Hiaasen, Miami Herald, Reporter

There was a moment of reflection.

Mr. Kemp asked the Committee members at the request of the Inspector General to move up item 18, Third Annual Report for the M-DCPS Office of the Inspector General, Fiscal Year 2010-2011.

**2. Approval of the Minutes of the Special Audit and Budget Advisory Committee meeting of September 6, 2011**

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The Vice Chair drew the Audit Committee members' attention to the minutes for the Special ABAC meeting of September 6, 2011 and Regular ABAC meeting of September 27, 2011. He asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes.

There being no questions or suggestions, a motion was duly made by Mr. Salver and seconded by Dr. Feldman to approve the proffered minutes to serve as the official memorialization of the September 6, 2011 and September 27, 2011, meetings of the Audit and Budget Advisory Committee. The motion carried unanimously.

**3. Approval of the Minutes of the Audit and Budget Advisory Committee meeting of September 27, 2011**

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Items #2 and #3 were discussed and approved together.

## EXTERNAL AUDITS:

### **4. Presentation of the Charter Schools and Community Based Organizations Audited Financial Statements FYE June 30, 2011**

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#### **a) Five charter school with serious, unresolved fiscal concerns (*Balere Language Academy, Lincoln-Marti Hialeah, International, Little Havana and Oxford Academy*)**

Mr. Montes de Oca introduced the item and explained that OMCA annually receives and reviews the financial statements of the operating charter schools, which are provided by independent external auditors. He then noted that although his staff is supposed to rely on the disclosures of the financial statements prepared by the external auditors sometimes these disclosures do not fully reflect the schools condition, stability or liability. He pointed out that he has provided a brief synopsis of what was found in the analyses of the financial statements of the nine schools. He further explained that the requested plans of action for four of the nine schools were satisfactory; however, there are still lingering questions at the remaining five schools.

In reference to Balere Language Academy, Mr. Julio Miranda, Assistant Chief Auditor explained that the school had submitted a set of financial statements for a new company (Balere Language Academy, Inc.), which does not have a contract with M-DCPS. He further explained that the financial statements presented disclose a positive net asset however; the audited financial statements of Balere Inc. (the contracted agency) reveal that the school continues in the condition of financial emergency, as it was the case during the prior two years.

Mr. Kemp expressed concern on Balere's financial issue and requested a follow up.

Mr. Montes de Oca noted that he anticipates bringing back to the January ABAC meeting the financial statements for the five schools with all issues resolved.

Dr. Feldman expressed concern with the following comments and noted that when he reports back to his colleagues, as their representative in the ABAC, he wants to have confidence that not only financial issues are monitored, but legal issues are as well.

- Assurance that the charter schools are doing their due diligence and complying with due process and our legal counsel is monitoring the legal aspect and making sure they are complying.
- That when an investigation arises, other agencies/organizations are also involved.
- Whether the School Board Attorney, as our agent, is doing due diligence as well as others.

Mr. Harvey responded that his office works in concert with Charter School Operations and OMCA. He explained that when OMCA and Charter School Operations have legal concerns, his office renders legal advice.

In reference to Lincoln-Marti Charter Schools – Hialeah, International and Little Havana, Mr. Miranda explained that a credit agreement was entered into by the landlord realty company and the bank, whereby the charter schools irrevocably and unconditionally guaranteed the full payment of a \$24 million agreement. He further explained that just prior to the meeting; OMCA received a document from the bank releasing the charter schools from guaranteeing the loan and this document was provided to the Committee members during the meeting. Mr. Miranda noted that some corollary issues still remain which the OMCA continues to address.

A legal representative from Lincoln-Marti stated that Mr. Miranda's statement was accurate and explained that he will be meeting with Mr. Miranda to address any additional questions OMCA may have.

A representative from Balere Language Academy thanked Charter School Operations and OMCA for working with members of the school administration and expressed confidence in that they are getting closer to solving the issues. Responding to a question about the relationship between Balere Inc. and Balere Language Academy, the representative noted that the Balere Language was created without authority. He explained that the contracted entity is Balere Inc. and they are working with M-DCPS administration to clear that issue.

After some more discussion, Mr. Montes de Oca noted that this school should not be transmitted to the School Board until all issues are resolved, which he expects to do by the next ABAC meeting.

In reference to Oxford Academy, Mr. Miranda, explained that the financial statements appear to have omitted considerable liabilities, which if included, may have caused the school to be in the condition of financial emergency. Therefore, this matter would require that the financial statements be re-stated and re-issued.

These issues were presented to the Committee for its information, and pursuant to the advice of Mr. Montes de Oca, the Committee agreed not to transmit the financial statements of these five charter schools until the issues are resolved. These financial statements will be brought back to the Committee for further discussion once these pending issues are resolved.

**b) Four Charter Schools with fiscal concerns that have been resolved (*Advanced Learning Charter School, Coral Reef Montessori, Mater Academy and Somerset Silver Palms*)**

Mr. Montes de Oca noted that these four schools had significant fiscal concerns and the school administrators have submitted reasonable action plans. He explained that the Office of Management and Compliance Audits in concert with other related offices have agreed that the concerns have been resolved.

In regards to Balere Language Academy, Mr. Carvalho informed the Committee that it was mentioned earlier that the District was withholding their funds because of their condition of financial emergency. He then explained that following advice from legal counsel the funds have been released because the District does not have the statutory authority to withhold funds; however, it can move to terminate their contract.

There was no further discussion and upon a motion duly made by Mr. Salver, and seconded by Mr. Sanchez-Medina, which carried unanimously, it was recommended that the financial statements for the Four Charter Schools (Advanced Learning Charter School, Coral Reef Montessori, Mater Academy and Somerset Silver Palms) be received and filed by the School Board.

**c) Community Based Organizations (*AMIkids Miami-Dade, Inc., and Richmond-Perrine Optimist Club, Inc.*)**

Mr. Montes de Oca explained that these two organizations provide services to at-risk students and under their contract with M-DCPS, they are required to submit the organization's annual audit. He then noted that the audit was reviewed by OMCA and no issues were found.

Mr. Salver inquired about the employee benefits that are higher than most companies and asked if those ratios are reviewed.

Mr. Montes de Oca noted that it was not part of the review but he will research the ratios and provide a response to Mr. Salver's concern.

Mr. Sanchez-Medina informed the Committee that he is a board member of AMIkids and said he can make inquiries and bring back the information.

There was no further discussion and upon a motion duly made by Mr. Salver, and seconded by Mr. Rasco, (Mr. Sanchez-Medina abstained because of his relationship with AMIkids Miami-Dade, Inc.) which carried unanimously, it was recommended that the Community Based Organizations AMIkids Miami-Dade, Inc., and Richmond-Perrine Optimist Club, Inc. be received and filed by the School Board.

**5. Presentation of the Annual Financial Statements, Educational Impact Fee Fund for FYE June 30, 2011**

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Ms. Cynthia Borders-Byrd, Managing Member, Cynthia Borders-Byrd, CPA LLC presented the annual financial statements and stated that pursuant to an inter-local agreement between M-DCPS and Miami-Dade County, the financial statements for the educational impact fee fund are to be submitted to the County every year. The independent audit report provided an unqualified opinion, and did not contain any findings or recommendations.

There was no further discussion and upon a motion duly made by Mr. Salver, seconded by Mr. Rasco, that carried unanimously, it was recommended that the Annual Financial Statements for Educational Impact Fee Fund for the Fiscal Year Ended June 30, 2011 be received and filed by the School Board.

**For expediting purposes, since all three audits were performed by the same company, the following agenda items were presented together:**

- 6. (a) Audit of the WLRN Television and Radio Stations for Fiscal Year Ended June 30, 2011**
    - (b) Financial Statements from Friends of WLRN, Inc.**
  - 7. Audit of the Magnet Education Choice Association Inc. (MECA) for Fiscal Year Ended June 30, 2011**
  - 8. Audit of the Dade Schools Athletic Foundation, Inc. for Fiscal Year Ended June 30, 2011**
  - 9. Audit of the Miami-Dade Coalition Community Education, Inc. for Fiscal Year Ended June 30, 2011**
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Mr. Montes de Oca introduced the reports and explained that the Corporation for Public Broadcasting requires audited financial statements every year as part of the requirement for eligibility to receive grants for the TV and radio stations. In addition, he provided to the Committee, as requested in January 2010, a copy of the financial statements from Friends of WLRN, Inc.

Mr. Anthony Brunson, Partner, Sharpton, Brunson & Company, P.A. made a presentation on the audited financial statements of WLRN Television and Radio Stations. Mr. Brunson reported that the financial statements present fairly in all material respects the financial position of the stations and no material findings were reported. He noted that total revenues for the television and radio stations, were \$9.4 million and \$9.9 million, respectively, and that grants received from the Corporation for Public Broadcasting totaled slightly over \$2 million for the fiscal year.

Mr. Salver asked Mr. Brunson to explain the relationship among the TV Radio stations and Friends of WLRN. Mr. Brunson responded that Friends is an independent entity which provides financial support to the stations.

Mr. Brunson then provided an overview of the certified financial statements for three Direct Support Organizations: the Magnet Education Choice Association, Inc. (MECA), The Dade Schools Athletic Foundation, Inc., and the Miami-Dade Coalition Community Education, Inc. for the fiscal year ended June 30, 2011 and noted that they contained no adverse audit findings.

There was no further discussion. A motion was made by Mr. Rasco, seconded by Mr. Davis, that carried unanimously, to recommend that the Audits of WLRN Television and Radio Stations, Financials from Friends of WLRN, Inc., Magnet Education Choice Association, Inc. (MECA), Dade Schools Athletic Foundation, Inc., Miami-Dade Coalition Community Education, Inc. for Fiscal Year Ended June 30, 2011 be received and filed by the School Board.

## **10.(a) Presentation of the Comprehensive Annual Financial Report and Summary of Audit Results for FYE June 30, 2011**

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Mr. Montes de Oca introduced the report and observed that the external auditors had included an area of emphasis in the reviews and tests of internal controls over key processes of the District. This area of emphasis included a test of the procurement process with respect to the Offices of the School Board Members, Office of the Superintendent, School Board Attorney's Office and the Office of Management and Compliance Audits and he noted that there were no audit exceptions associated with any of the aforementioned offices.

Mr. Donovan Maginley, Partner, McGladrey & Pullen, LLP, presented the report and emphasized that an unqualified opinion was given on the financial statements and that the financial statements presented fairly in all material respects the financial position of the School Board for the fiscal year ended June 30, 2011. According to Mr. Maginley district management diligently provided information and records to his staff during the audit, and the assignment presented no difficulties.

Ms. Hantman expressed complete satisfaction with the results of the audit conducted on the procurement process of the aforementioned offices. She reminded the Committee about the discussion that transpired at an earlier ABAC meeting whereby it was decided, in a not very affirmative way, that an audit of the School Board Members office be conducted and Ms. Hantman suggested to the Committee to have all the offices that report to the Board audited as well. With that said, Ms. Hantman reiterated that she was pleased with the outcome of the audit, noting that she did not expect any different. Ms. Hantman thanked the external auditors for their work and stated that when this report gets transmitted to the Board she would like for these results to be mentioned at the meeting.

Dr. Feldman wanted to note for the record some of the more important statements attested to by a reputable national firm:

- No fraud on the financial statements or significant deficiencies over internal controls
- No material transactions that occurred that would negatively impact the system
- No violations or possible violations of laws required by statutes that our representatives have misrepresented
- The School Board has complied with the provisions of the Florida Statutes regarding the investment of public funds
- The School Board itself is not in a state of emergency describe by other entities of State of Florida
- Management has assessed our financial condition and confirmed that there is no deteriorating financial condition

Dr. Feldman then inquired of the Superintendent as to whether the self-insurance comments included in the report will affect the employees.

In response to Dr. Feldman's concern, Mr. Carvalho addressed the matter of the self-insurance, and expressly referring to the curtailment of expenses that its implementation brought to the District, and noted that administration is engaged in a continuing plan for improvement in that area.

## **b) Management Letter for FYE June 30, 2011**

Mr. Maginley presented the results of their tests of the School Board's internal controls over financial reporting and compliance with certain laws, regulations, contracts and grant agreements. Although material weaknesses and/or significant deficiencies in the system of internal controls were not identified, Mr. Maginley noted that a total of four control deficiencies and performance improvement observations were found and centered in the areas of self-insurance and general information technology. He also noted that none of these observations rise to this level. He then explained that District management provided appropriate responses and is in the process of implementing corrective action.

The Committee commented positively on the results of the audit noting that although the findings are noteworthy to management, the four comments contained in the Management Letter are not that many for an organization of this size and financial complexity.

There was no further discussion and upon a motion duly made by Dr. Feldman, seconded by, Ms. Kairalla that carried unanimously, it was recommended that the Comprehensive Annual Financial Report, Summary of Audit Results for FYE June 30, 2011 and Management Letter for FYE June 30, 2011 be received and filed by the School Board.

## **11. Monthly Financial Report Unaudited – For the Period Ending September 2011**

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Ms. Pou introduced the report and noted that it was approved by the School Board at its November 22, 2011 meeting. She explained that this report represents the end of a quarter and contains more information.

There were no questions asked about this report.

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

## **12. Presentation of the Report on Significant Financial Trends and Findings in 2009-2010 Fiscal Year Audit of District School Boards, Report No. 2012-023**

## **13. Presentation of the Report on Significant Financial Trends and Findings in Charter Schools and Charter Career Technical Centers 2009-2010 Fiscal Year, Report No. 2012-022**

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Mr. Montes de Oca presented items 12 and 13 jointly as these reports summarize trends. These reports are a compilation of the 67 Districts and Charter Schools throughout the State of Florida and the individual reports, with details, for M-DCPS have already come before the Committee.

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



## INTERNAL AUDITS:

### 14. Internal Audit Report – Selected Schools

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Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, presented the selected schools audit and indicated that the report includes the audit results of 52 schools of which 13 schools had audit exceptions. Ms. Gonzalez referred to Miami Norland Sr., North Miami Sr., and Whispering Pines Elem. which contained exceptions that were eye-openers.

Mr. Rasco inquired as to whether there was a policy for the purchases of iPads. Ms. Gonzalez responded that according to School Board rule, the tracking of iPads is the responsibility of the individual school sites when the equipment's individual cost is less than \$1,000 and does not require that these items be officially tagged.

In observance of the number of findings found in the Education Transformation Office (ETO) schools Dr. Feldman expressed concern as to whether ETO schools were receiving the same support from District/School Operations, in regards to fiscal training and assistance with fiscal matters.

Dr. Feldman also expressed concern as to whether the district was strongly pursuing disciplinary action regarding school staff/administration at schools with repetitive/multiple year findings.

Mr. Woodson stated that District/School Operations was committed to assist all school principals with fiscal management issues and assured the Committee that appropriate disciplinary action is taken especially when fraud has occurred.

Mr. Kemp inquired as to whether there was a policy in place for transferring a computer from a location where it was purchased.

Dr. Feldman explained, based on his prior knowledge as a school administrator, that there is a procedure to transfer equipment and that there should be an amicable agreement between the principals to transfer the equipment.

There was no further discussion and upon a motion duly made by Mr. Rasco, seconded by Mr. Salver, which carried unanimously, it was recommended that the Internal Audit Report – Selected Schools be received and filed by the School Board.

### **15. Internal Audit Report – Review of Internal Controls Over Maintenance Contracted Services, Supplies and Equipment Purchases**

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Mr. Montes de Oca explained that this report stemmed from a fraud that was uncovered and reported by OMCA during the prior year. The fraud related to the inflating of invoices associated with the purchase of fencing hardware and materials by a School Board employee in collusion with an employee of an outside vendor of M-DCPS.

Mr. Trevor Williams, who supervised the audit, noted that the main focus of this audit was to determine if the control system, as designed, incorporates best practices for contracting goods and services. He explained that although the processes were generally supported by a number of good control check points and forms that are adequate to reduce the risk of error and fraud going undetected, weaknesses in some of the processes were identified. He further explained that several recommendations to strengthen the processes were made and accepted by the administration.

Mr. Jaime Torrens, Chief Facilities Officer, voiced his agreement with the recommendations and committed to implementation of the recommendations.

There was no further discussion and upon a motion duly made by Mr. Salver, seconded by Ms. Kairalla, that carried unanimously, it was recommended that the Internal Audit Report - Review of Internal Controls Over Maintenance Contracted Services, Supplies and Equipment Purchases be received and filed by the School Board.

### **16. Internal Audit Report – Audit of Year-End Inventories as of June 30, 2011**

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Mr. Montes de Oca presented the report and was pleased to announce that there were no audit exceptions reported.

Dr. Feldman added that considering the audit exceptions noted during the past several years at the five different departments, he was also pleased to receive a clean report and knowing that the administration has been following recommendations made during those years.

Ms. Kairalla indicated that members of the administration involved should receive letters of commendation for their excellent work.

There was no further discussion and upon a motion duly made by Mr. Rasco, seconded by Ms. Kairalla, that carried unanimously, it was recommended that the Internal Audit Report – Audit of Year-End Inventories as of June 30, 2011 be received and filed by the School Board.

## **OTHER REPORTS:**

### **17. Office of Management and Compliance Audits Activity Report**

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Mr. Montes de Oca explained that this report is for informational purposes only and it contains an update of the OMCA's completed and ongoing projects.

Mr. Salver extended congratulations to Mr. Montes de Oca on the year-end inventories audit and to Mr. Maginley for an excellent report.

Mr. Kemp thanked the other Committee members for allowing him to Chair the meeting and wished everyone happy holidays. Members of the Committee expressed their appreciation to Mr. Kemp for conducting an excellent and efficient meeting.

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

### **18. Third Annual Report for the M-DCPS Office of the Inspector General, Fiscal Year 2010-2011**

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Mr. Christopher Mazzella, Inspector General, Miami-Dade County, made a brief presentation of the Office of the Inspector General (OIG) Third Annual Report. He stated that the OIG's intent is to be fully involved and committed to work with the Superintendent and the School Board in the deterrence of fraud.

Mr. Carvalho expressed his appreciation to the OIG for its close collaboration in investigating fraud related matters; and shared with the Committee that he recently referred to the OIG an incident of a scam perpetrated by private sector tutorial services whose intent is to defraud the system. Mr. Carvalho explained that there is a multiple agency investigation regarding Supplemental Educational Services (SES). He further explained that the legislature has forced the District to place \$20 million with the private sector for these SES tutorial services, which are privately administered, and for which the school system has no authority to monitor.

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

## **NEW BUSINESS**

No new business came before the Committee.

## **OLD BUSINESS**

No old business came before the Committee.

## **Adjournment**

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There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Kemp at 2:06 p.m.

Mr. Kemp extended his warmest Holiday greetings to the group.

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