

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

May 6, 2010

Mr. Duane Wolter, Chair, called the Audit Committee meeting to order at 12:30 p.m. at the Kathleen C. Wright Building in the 1st Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Anthony De Meo, CPA
Mr. Joey Epstein, CPA
Ms. Mary Fertig
Ms. Charlotte Greenburg
Mr. John Herbst, CPA
Mr. Steve Hurst, CFP, Vice Chair
Mr. Roy Karlsen
Mr. Ted Perrella
Mr. Neal Shapiro

Staff Present:

Mr. James F. Notter, Superintendent of Schools
Mr. Ed Marko, General Counsel
Mr. Thomas Cooney, General Counsel
Mr. Donnie Carter, Chief Operations Officer
Mr. Ben Leong, Chief Financial Officer
Mr. Henry Robinson, Treasurer
Mr. Denis Herrmann, Compliance and Contracts
Mr. Kevin Bellamy, Facilities & Construction Management
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Mr. Dave Rhodes, Director Facility Audits, OCA
Mr. Joe Wright, Facility Auditor, OCA
Mr. Mark Magli, Supervisor, Property Audits, OCA
Ms. Vicki Hill, Facility Auditor, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Ms. Sharon Airaghi, North Area Superintendent
Dr. Leontine Butler, Central Area Superintendent
Dr. Joel Herbst, South Area Superintendent
Mr. Jeff Moquin, Support Operations
Ms. Melissa Grimm, Director ERP Project Management
Mr. Robert Waremburg, Director, Supply Management & Logistics
Mr. Chuck Stanley, Director, Education Technology Services
Ms. Connie Feeney, Atlantic Technical Center
Mr. Oleg Gorokhovskiy, Director, Financial Reporting Department

Ms. Jane Turner, Budget Director
Ms. Becky McMahon, Assistant Director, School Budget Support
Mr. Gregory Neiman, Physical Plant Operations
Mr. Mark Dorsett, Physical Plant Operations
Guests Present: Mr. Carl Hofmann, Moore Stephens Lovelace, P.A.
Mr. Manuel Garcia, CPA, GLSC & Company, PLLC
Mr. Mike Johnston, Citizen
Ms. Patricia Mazzei, Miami Herald
Ms. Megan O'Matz, Sun Sentinel

Old Business

A motion was made to approve the minutes for the March 18, 2010 Audit Committee meeting. Motion carried.

Current Status Report – Follow-Up Items

Follow-Up Item #1 - Other Comments –January 28, 2010

Mr. Patrick Reilly stated that the Committee had requested additional information regarding the amounts recovered from lawsuits filed by the District. “Identified on page 17 of a document called the Architectural Errors and Omissions handout from a March 9, 2010 School Board Workshop, Ms. Fertig asked if a column could be added to the schedule to show how much money they were trying to recover, along with the amount actually recovered. Ms. Greenberg asked if the attorney handling the recovery could be identified in the chart and the ages of the cases provided. I provided a schedule from our office, based on our audits, showing items requested for reimbursement or recovery. This shows what we had identified from 2005 to 2010 and how much has been recovered.”

Ms. Charlotte Greenberg asked “I requested that the update show the attorney handling the recovery, and it is not here.”

Mr. Reilly referred the question to Mr. Marko, stating that the document was from the Office of General Counsel.

Mr. Ed Marko stated “We provided information from the Errors and Omissions Workshop. I have not subsequently brought that document further. We’ll be happy to do so, but were unable to do so within the time you requested it. We expect to have it done by next Tuesday.”

Ms. Greenberg asked “Each one of these items will show the attorney handling it?”

Mr. Marko stated “Yes, you’ll have the names of the attorneys. My only concern is that as we’ve been collecting this material, how much you demand and how much you receive could be misleading, because you may go into a case, for example, if you ask for \$1 million, but you settle for \$100,000, that doesn’t mean that the School Board lost \$900,000. My concern is that by putting that on paper, someone may pick up a document and say ‘they asked for “X” dollars, but in reality, they only collected a lesser amount’. The best scenario in a lawsuit is when you “hit a home run” and get everything you could imagine and the worst is where you get zero. In these

cases, they run the gamut; I just want to make sure you understand that; when we put that information out there, it is not a loss. We either settle, or go to trial or go to mediation. The cadre lawyer, working in conjunction with our office, representing the District, we settle for what we really believe we could successfully prove and walk away from.”

Ms. Greenberg added “I just noticed that there are two recoveries; the rest are zeros.”

Mr. Marko stated “This is not my report; this is what Mr. Reilly created. My report shows something different, and as I said, we presented a document to the School Board. I’m surprised it was not made available to you all. We made it available to the School Board and to Mr. Reilly. I’m sure to whoever was in attendance, that document didn’t show specific cases, but showed lump sums of the amount that we had. We will address the issue as Mr. Reilly did and we will put that extra column in there and we’ll satisfy both the requests from you and Ms. Fertig.”

Ms. Greenberg thanked Mr. Marko.

Mr. Reilly stated “We can bring you the original document that we brought at the last meeting.”

Ms. Mary Fertig stated “There are fourteen items on this list, with answers to only two.”

Mr. Rhodes asked to make a clarification. He stated “These are two separate reports; the one that Mr. Marko had prepared was regarding errors and omissions. Our report is simply regarding items that we have been asked at several different meetings over the last year, to bring some kind of a schedule of recommendations that we found for reimbursements vs. what we’ve actually received. What we can also do is add to that column and bring both his and our reports to the next meeting.”

Follow-Up #2 – Update on the Audit of the Ashbritt, Inc. and C&B Services Invoices for District Portable Repairs Related to Hurricane Wilma – July 23, 2009

Mr. Reilly began “The Committee requested the progress on the Ashbritt audit; specifically, the work being performed by the external auditors, Berkowitz Dick Pollack & Brant, CPA’s (BDPB).

Mr. Marko stated “We have, in the preparation of the expectation of going to trial, we are reviewing the documentation with a company that will be able to identify and support during cross examination, both direct and cross examination, evidence in support of the position that the School Board is owed a sum of money. That’s what we’re doing and that expert is just like an expert that is hired to review any kind of . . . a doctor that comes in and reviews the records and makes an opinion as to whether or not certain procedures should or should not have been done and how, etc. That’s what we’re doing. We’re in the process, as I’ve indicated to the Superintendent, it is a matter of when they complete their item, they will then provide me with a report and I’ve indicated to the Chair of your committee that whenever I get the report; the report obviously goes to my client first, before I would then submit it to others and when we get that, we will do it. I was hoping that it would be within the next week or so. I have a feeling that it’s going to be at least another 45 days or so before I get the report.”

Ms. Greenberg asked “Have we had a request from these people (BDPB) to see the work papers yet?”

Mr. Rhodes replied “No.”

Mr. Marko added “I don’t know what they’re doing in the sense of what documents they have or have not been reviewing, but they have gone to the Facilities Department. I think they did meet once with you, have they not?”

Mr. Rhodes replied “Yes.”

Mr. Marko continued “What documents they needed or what they’re coming back for, I don’t know. To infer that they have not discussed anything with the Auditor would be misleading.”

Ms. Greenbarg stated “I didn’t say that they didn’t discuss anything with the Auditor; what I specifically asked was ‘have they requested or received the work papers from that audit?’ We had a prolonged discussion at the previous meeting, stating that you cannot defend something if you haven’t looked at the work papers that produced the product.”

Mr. Marko replied “All I can tell you is that I will stake my reputation legally and professionally as to that particular company and they’re going to do the job that they’ve been hired to do, and will do, and I do not believe that they are doing a slipshod or any inference of a lack of performance. They’re highly respected, well known in this community, in Broward and Palm Beach and the state of Florida. I believe that you’ll get exactly what you’ve asked for or what I’ve asked for, and that is to go through and be able to, we’re not defending anything, we’re proving whether or not, that’s the issue, their preparation to prove what is due and owing to the District.”

Ms. Greenbarg added “I wasn’t casting any aspersions on their reputation; I was simply asking a question. It seemed logical to most of the members of the Committee.”

Mr. Marko stated “That’s not my job to ask them what they have or have not done at this point and time. When they give me, I suspect, their preliminary report, we will go through that, make a determination, if they need to do something further, they will; if we feel it’s conclusive, they won’t. Where they’ve done or what they’ve reviewed I have not specifically sat down and asked them what documents have you reviewed, item by item, but obviously, they have been reviewing documents in support of our position that “X” dollars are due and owing.”

Ms. Fertig stated “I wasn’t really taking Ms. Greenbarg’s comments as a criticism of the company, but rather a question on timing. How much time do you normally expect something like this to take? In this environment where there is so little money; this is a fairly large sum of money. How many months does it take to get a review of this nature?”

Mr. Marko answered “How long did it take for the audit, all I know is I’ve got a report and from that, we then have to proceed.”

Ms. Fertig asked “How long did you take?” Did it take you a year to do this (audit)?”

Mr. Rhodes replied “It actually took us about four weeks to do the review; however, because we had been given documentation and it had been brought to our attention prior to this having become an audit, and it was turned over to the Legal Department at some point. There were a lot of documents gathered prior to our actually being asked to perform the audit. It’s not fair to say

that it took four weeks to perform the audit, but certainly, including the gathering of the documents, had we done it all at one time, it probably would have been a 2 ½ to 3 month process.”

Mr. Anthony De Meo stated “The only concern I have about the time that’s elapsed so far is to know our expectation of the cost?” If two or three people are working on this every day for the last two months, the amount of this process may exceed what we hope to recover.”

Mr. Marko stated “I assure you, if you’re working on, and I don’t know what the end result number will be, if the end result number is equivalent to or close to the amount that’s within the audit that they feel that they can go in and support in testimony, their cost would be a fraction. If, in fact, you spend \$10,000 or 20 or 30 or \$50,000, and your return is only 10, then it was not necessarily a good business model, but if your return is 200, then is the 50 a good business model, and the answer is ‘Well, could you have done it cheaper or whatever, but the answer would be ‘yes’. You’re not throwing away money; you are gaining money. You can’t go to court on the documentation that I had and say to the court with 5 boxes of material and I cannot testify, so all I have to do is, I have to point to somebody and say ‘does this support, etc.’ and I am sure that Ashbritt is not . . . once we get the report, etc, we intend to sit down with Ashbritt and say ‘these are our findings, review it and tell us whether or not you would wish to issue a check. We will make the demand, based upon the findings. Under those circumstances, if, in fact, they say ‘no’, we’re not interested, that’s when you obviously need the professional to be able to support that before a court of law.”

Mr. De Meo said “That all makes sense, but I think it’s important that we don’t lose scope or incur more cost than what we hope to recover.”

Mr. Marko added “It’s my understanding that right now, you hope to recover about \$700,000; I can assure you that the cost of their analysis is not even, we’re not even talking about the same thing. If you go to court, then, preparation for and doing is one thing; going to court is another. When you get to court, it becomes more expensive, because they sit there for days and days and hours and hours. I don’t believe, I may be in error, but I don’t believe that this matter will go all the way to court. I really don’t. I suspect that there will be some resolution in the middle of it. I have constantly referred or conferred with the Superintendent, sharing with him nothing more than this is ongoing; I’ve been in contact with their contact person; I’ve asked to meet with them; we’ve met on several occasions. I found out that they had met with the Auditor; they had met with Facilities; they’ve gotten documents, whose documents, but, I can assure you, when they get through with it, their interest is to the School Board of Broward County, Florida. They have no other alliance or allegiance and they will do everything they can to support their position.”

Mr. John Herbst asked “If the reasonable outcome of this process, as you just stated, is that it will likely go to settlement and not to trial, again, I go back to where we started this process. Would not the quality of the work performed by our Auditor have been sufficient to negotiate a settlement, as opposed to going to trial?”

Mr. Marko stated “The answer is No, because Mr. Moskowitz told me that he had read the report and he believed it was unfounded and if we were going to go to court, which I wouldn’t, but if he went to court on that item alone, he’d be pleased to do that. He has his Auditors; he’s gone out and hired other people to prepare for whatever event it is. The reason I’m saying that the matter,

more likely than not, will not go to trial, is that, the statistics now, it's something like maybe 90 or 89% of all lawsuits are resolved before trial, or the number may be higher, so, it is an expectation that it will not have to go to trial, but I wouldn't say it wouldn't."

Mr. John Herbst continued "In our initial discussions on this, it was my understanding that the firm that you've retained was going to be conducting a peer review of the work that was performed by the Auditor. A peer review would necessarily begin with an examination of the work papers of the evidential matter gathered by our Auditors, in support of the conclusions and findings that they've reached. It appears to me, based on the discussion that we've had so far, and what you've said, that they are attempting to re-perform the audit on their own; in other words, gather their own evidential matter, come to their own determination about costs and amounts, without actually reviewing the work done by our Auditors. Is that a correct assumption?"

Mr. Marko answered "No, that's not what is going on."

Mr. John Herbst added "Then again, I don't understand how they could be evaluating the work done without looking at the work done."

Mr. Marko replied "Well, I believe they have, but they may not have gotten it from that department. As I said, the Facilities Department had collected a tremendous amount of material, of which I believe, they have availed themselves of that, and then they were going to go and sit, I suspect, with the Auditors, and review their papers and then they will proceed to complete their process. That's my understanding."

Mr. John Herbst replied "I'll state for the record, it does not sound to me like they are performing a peer review. They are not undertaking a process that would lead them to evaluate the quality of the work papers."

Mr. Marko said "We're not doing a review of the audit to put a rubber stamp on the performance of this audit. That's not what's going on, ever! We are preparing a case to go to trial and the documentation and the support of that is what these people are putting together so they can represent in a professional way and present their expertise on how much is due and owing; not that they agree that our Auditor was correct or not correct. What happened, my process was, when I met with this firm was quote, unquote: I want you to prepare that when I point to you at trial, you will be able to tell me how much is due and owing and how you got there. That's what I want. It was not 'Will you tell me whether or not you agree, I never asked for an "agree or disagree" with either the procedures or anything else. We are only interested in making sure we have the documentation so that they can professionally support their professional opinion. That's where we are. Now, I don't know if that changes your understanding, but that's really what I did. I just said 'Prepare what you need to prepare, so I can just point to you and say 'what did you do and what did you read, what did you see, what did you analyze?' They'll go through that whole thing. Would you please tell me what are your findings? My findings are 'They owe "X" dollars. I'm not comparing that at this point in time. If obviously, they came in and they came back and said, 'It's \$10,000, I obviously, am going to ask the question as anybody would 'Why is there such a variance, etc., but I'm not telling them that they need to support a number; I'm asking them to present to me their professional opinion of a number.'"

Mr. Neal Shapiro asked “In this instance, it’s all part of the collection process. If your findings are the amount that the Auditor has indicated is due, will the additional cost to collect that debt be added or can we seek back those additional funds that we’ve spent?”

Mr. Marko answered “From whom? From Ashbritt?”

Mr. Shapiro said “Yes”.

Mr. Marko said “The answer is that I have not, at this point and time, I don’t recall reading the contract which provides for attorneys’ fees and costs, so my answer is, by statute, if a statute allows you to collect fees and costs, you can collect it. The only other exception is, if a contract provides for one. So, if a statute, i.e., I run over your car, I deliberately did it, I got angry at you, you sue me for your damages, you don’t get by statutory, any fees for suing me for my destroying your car, OK? You don’t get it because there’s no contract between us and the statute for awarding fees is not applicable for normal negligence. We will be collecting and going after as much, to make the School Board as whole as we possibly can.”

Mr. Shapiro said “Thank you.”

Mr. Wolter stated that after the discussion of Follow-Up #3, he was going to change the order of the agenda, in order to discuss the Kitchen/Cafeteria audit next and asked if Mr. Marko could please stay.

Mr. Marko said he could.

Follow-Up #3 – Internal Fund Audits – January 28, 2010

Mr. Reilly began “This was a request from the Committee regarding the issue of schools’ outstanding debts to the General Fund. The Committee asked if there was a policy in place requiring that each school repay these funds by year-end and also requested a list showing which schools’ debts are current and which are not. We provided a more current list, which has a total now of \$1.2 million. We have invited staff from the Budget Department who provided a schedule regarding the policy and steps for recouping these monies. I would like to turn this over to Becky McMahon to update you further.”

Ms. Becky McMahon stated “We have come up with a new process for future loans. We will be setting up an account in the schools’ budgets and the Budget Department will be deducting those payments annually. When the schools receive those funds from their Booster clubs, PTA’s, etc., they can remit them to reimburse the schools’ budgets. For existing outstanding loans, the Area Business Analysts are going to work with the Principals and on approximately June 1, we will get a repayment schedule for those outstanding loans and we will work with those schools in setting up those accounts at that time. We are also in the process of preparing a Business Practice Bulletin that will be published. We have already generated a budget guideline that is in the School Funding Allocation and Guideline Document.”

Ms. Greenberg asked “I noticed a couple of very large items on Blanche Ely and Dillard; \$167,000 and \$126,000; Deerfield Beach High - \$125,000. For what? That’s a lot of band uniforms.”

Ms. McMahon answered “This is a report of all items that are called “Due from Internal Accounts”. When you see an elementary school with \$200 or \$2,000, that could be a field trip purchase. This is a compilation of all the Due from Internal Accounts for that school. I don’t have the details today, but I can get them.”

Ms. Greenberg said she would appreciate that. “Knowing the years and what the amounts are for, that’s a lot of money.”

Mr. Wolter asked if the scope should be limited to a certain dollar amount.

Ms. Greenberg said “Yes, the \$167,000, the \$126,000 and the \$125,000.”

Mr. Wolter asked “How about anything over \$50,000?” The request is that you provide us the detail for any amounts over \$50,000 that are outstanding.”

Mr. Steve Hurst asked “Are they on time with their current payments? That was what started us down this path. There was a school that hadn’t paid in over a year.”

Mr. Wolter requested an aging list be presented at the next Audit Committee meeting.

Mr. Ted Perrella asked “I’m looking at the current process and recommendations and the list is a little over \$1 million. You mentioned the Board. The School Board is involved with this?”

Ms. McMahon answered “There is a Board item that is submitted to the Board for a band loan.”

Mr. Perrella asked if the Board was involved in the smaller purchases, such as a \$300 purchase shown.

Ms. McMahon stated that the Board approved the band uniforms and equipment, not the field trip for \$300. “This report identifies any time a school uses Due From Internal Accounts. For instance, if a school needs to have a bus come to their school to pick up children, the school will eventually write a check and remit back to the School Board. It includes School Board loans, as well.”

Mr. Perrella stated “I’m still looking at the approval by the Board. Can you address what that means, Mr. Notter? Should they be involved with that?”

Mr. Notter replied “I believe there is a threshold on items that need to go to the School Board. Typically, it may be \$50,000, but they are usually band uniforms, generally when a school would not have that amount of dollars in their internal accounts and the need was there to purchase band uniforms or equipment.”

Mr. Perrella asked “Is it above \$50,000 that we’re asking approval for? I’m confused on the recommendation that once the item has been approved by the Board, the Area Office will e-mail the Budget Office to establish an account. I’m not sure what that ‘approved by the Board’ means in dollars and quantity or quality. Is it \$50,000? I’m just not sure what the level of their involvement should be.”

Mr. Ben Leong stated “I think that when a school needs to secure a loan to buy uniforms, that needs to be approved by the Board. The Due From Internal Account is used, for example, if the

school used a bus to transport students to events, the School Board is charging that particular school for use of the bus; that does not involve the School Board. It's just a Due From for that particular school."

Mr. Reilly added "Mr. Leong is correct. There could be several other things that make up an amount that is due from internals. For example, if you set up a loan to buy band uniforms, it could be an \$80,000 amount that you need right away. There are also routine things, like buses; it could even be a payroll issue, but usually it's a bus fee that must be reimbursed to the Transportation Department. Those items accumulate in that account; some of these larger balances are several years of accumulation, where the pay backs haven't been consistently made."

Mr. Wolter verified from Ms. McMahon that she would present an updated policy and asked for the target date for this.

Ms. McMahon said she would have the aging report by June 1 for the month ending May 2010 and a draft Business Practice Bulletin (not a School Board Policy) at that time also.

Mr. Wolter asked that this information be presented at the next meeting and thanked Ms. McMahon.

Regular Agenda

Internal Audit Report – Audit of RFQ No. 2006-12-FC Kitchen/Cafeteria Program – April 2010

Mr. Reilly began "This is an audit that was requested by the Superintendent and was part of our Audit Plan, to perform a review of the Kitchen/Cafeteria program; specifically, the report included a review of a hard bid contract and CM at Risk contracts that were used to construct the cafeteria renovation projects. We came across several items that we felt needed immediate action to ensure compliance with Florida Statutes, State Requirements for Educational Facilities (SREF) Procurement Rules and Regulations of School Board Policies. We noted some weaknesses in the handling of the contracts and the daily administration of some of these projects. During the audit, we noted five detailed findings and recommendations that we have discussed with Mr. Lindner and he concurs with the findings. One of the issues that occurred during the audit was that we had a scope of services that we had to delay, because we were denied some project accounting information from the CM vendors. Looking at this from a CM at Risk type of delivery method, which is an open book type of delivery method, we felt that our Right to Audit Provision in our contract should have given us the right to access some information relating to expenditures that were, not just the cost basis of the project, but were based on negotiated fees. That was one issue; we worked around that to do the audits of the areas that we could properly substantiate and review. At this time, I would like to have Mr. Rhodes give you the key points regarding the five findings and recommendations that we noted in the report."

Mr. Rhodes stated "The first finding looked at the delivery method used for the program, in general, which was the CM at Risk delivery method. We identified that there is a required participation in specific phases for a CM to be qualified to then move into the selection arena,

whereby the Selection Committee makes recommendations as to who will be awarded the project. We identified that the services that the CM ultimately provided did not meet the requirements of the statutes for that delivery method to have been used. As a result, the District incurred \$24 million in unnecessary fees.

The second finding identifies a process where a recommendation was brought to the Board to amend scopes and budgets to an RFQ that had previously been advertised and the information that was brought to the Board was not complete. We believe that important information that should have been disclosed on the Agenda Request Form for both the purposes of the Board and the public, in general, was omitted. This resulted in a \$51 million increase to the project budgets that became the final and revised version of the RFQ, that was “on the street” for CM firms to ultimately prepare their proposals to send to the District by the due date identified in the RFQ.

The third finding was one project, originally in the RFQ, which was pulled out and bid as a hard bid job using the hard bid process. When we retraced the steps of the hard bid process, we found that the mechanism for communicating with the general contracting community was the Demand Star website. There was incomplete and vague information on this website, providing updates on addenda that were released to the perspective bidders. We identified that the project ended up going to a sole bidder. We then went back and tried to ensure that, per SREF requirements, three bidders were solicited for this job. We identified with the original bid notice, at least three firms were solicited, but when addendums 1 and 2 were released, we had no way, through either the architect, the business that provides copies of the plans, (in this case, it was called Repro Products) or the School Board themselves, (the Facilities Records Department), to verify that at least three bidders had received those addendums. This resulted in a bid being awarded to a sole bidder. The language in the School Board agenda item and the Letter of Recommendation from the architect implies that there were more than one bid and that the project was being awarded to the lowest bidder, and we felt that information was misleading. More than anything, we felt it was indicative of the flags that go up when trying to determine whether we met the minimum requirements of SREF to solicit at least three proposers.

The fourth finding is looking at the bid and award process between the construction managers and the sub-contractors that they ultimately work with. We have language in our contract that requires that they perform their bid and award process in accordance with School Board procedures; thereby preparing a bid package, soliciting the appropriate number of bidders, a minimum requirement, and then receiving the bids at their normal place of business on a specific date on or before a specific time. We observed the process on two different occasions and then we reviewed documentation when we were gathering information at the different CM sites for the cost of work information. We found during our first round that none of the CM’s were performing their bid and award process in accordance with the contract. This resulted in the cost of the work being inflated over and above the amount of the original bids that were received.

The fifth finding was a repeat finding. There were many reuse sets of drawings that were being awarded to an architect over and over, despite those drawings not having been constructed and tested prior to being awarded again as a reuse. It’s very important, especially as many times as these drawings were morphed along the way from the original versions, that they be built and

tested before being re-awarded through that reuse clause in the contract. Those are the five primary findings; we'll be happy to take any questions."

Mr. Wolter asked if Mr. Denis Herrmann was representing the Construction Department in Mr. Lindner's absence. The answer was yes. Mr. Herrmann and Mr. Kevin Bellamy were present.

Ms. Greenbarg stated "This is probably the poster child for what is going on that is wrong in the Facilities Department. All the while, the Auditors, of course, have taken slings and arrows and insults. I am looking at this in terms of the indicators that you were talking about. Have you had inquiries from any law enforcement entities on this situation?"

Mr. Rhodes replied "Regarding this audit, no."

Ms. Greenbarg stated "I am also the Facilities Task Force Chair, so I'm dealing with this on two levels. We have a report in writing from Interim Deputy, Mr. Lindner. I noted on this audit, he agreed with all your findings. On this report, I will have to ask him when he returns to come to Facilities (Task Force) regarding the Kitchen Cafeteria audit. (Mr. Lindner stated) 'the audit is generally accurate; I do not agree with some of the interpretations, but I support their right to have an opinion, however flawed it may be. Detailed responses refuting some of the audit findings and providing corrections to audit errors with back-up are in progress.' I'm at a loss, but I wanted that on record, because I have no idea why this was stated, considering the fact that the responses showed 'we agree'."

Mr. Wolter replied "I'm unaware of any of that. Can you turn that into the form of a question, to see if these gentlemen can provide information?"

Ms. Greenbarg asked Mr. Herrmann "Do you have any idea why that report would have been written?"

Mr. Herrmann replied "I don't have the information that you are referring to."

Ms. Greenbarg replied "That was given as a report to the Facilities Task Force for this evening's meeting because Mr. Lindner is not going to be there."

Mr. Herrmann replied "I don't know what Mr. Lindner is referring to; I will tell you that Kevin and I and others in our department have reviewed the findings and we're only working in one area as far as not having fully responded. That is in reference to the Margate Elementary School bid. We've gathered some documentation that was difficult to obtain and it was perhaps not considered in the audit. We had discovered that about 350 vendors received the invitation to bid by way of Demand Star. Demand Star did, in fact, report the revised bid opening date. Because the project was bid three years ago, many of the bidders have destroyed their documents; the Printer (Repro Products) destroyed its documents related to this bid, but Demand Star has been kind enough to go into its archives and we'll be providing you with that information. We're not refuting that issue, because it was not well documented and time was one of the factors. We agree that our Printers should not only retain those documents for the required five-year period,

but they should provide them to us. Some do, some don't. This particular vendor is no longer on the contract, but I assure you that we are obtaining those documents presently."

Ms. Greenberg stated "So, I guess we'll have to ask Mr. Lindner why he wrote that. The information we received from Mr. Marko, on the second page of his memorandum, talks about the Right to Audit Provision in the contract and states that the Right to Audit Provision in the contract doesn't permit inspection of records that pertain to fees that were established during the negotiations. I find that really curious. This District is writing contracts, supposedly to protect the District, but you've got no rights to get the records that pertain to fees established in negotiations? If that's not in the contract, I can't imagine what would be in the contract! Why isn't that in the contract?"

Mr. Reilly replied "This is my view. The response from the vendor was that they wanted to specifically quote Section 44.5 of Article 44, but that to me, was taken out of context. There is a formula to determine if a certain amount of overcharges are found; there's a point that when it reaches 2% of the whole project, the contractor would have to pay for the audit. It clearly states that you're not going to include negotiated fees in there, in order to determine if the overcharges exceed 2% of the total contract billings. Our point was all of the other sections in the Right to Audit Provision allow you to be able to obtain the documentation for expenditures that were incurred that triggered the negotiated fee amount. A simple example is, if you were looking for a landscape architect to do something that would be included in the negotiated fees, you'd like to know that a landscape architect really was hired, rather than just somebody who didn't have the experience. That's just a simple example, but you still should be able to see what expenditures were related to negotiated fees."

Ms. Greenberg stated "I'm not disagreeing with you, Pat. My problem is the District's attorney is telling you that you can't do that, that you can't get this particular information, according to the contract. The question is, isn't that the attorney who OK'd these contracts? Mr. Marko, you OK'd these contracts; wouldn't you have stipulated that this be in the contracts?"

Mr. Marko replied "It is my understanding, first of all, that we've been working over the years on the development of these contracts, number one. Number two, the efforts of us, our office and the cadre, but Mr. Reilly has, and I'm not too sure, I'll let Mr. Cooney address your specific item. Mr. Reilly had asked, over a period of time, that he was not receiving appropriate documents. The question is whether or not the documents he requested fell within the definition of the language. We met on several occasions, if I remember correctly, and Mr. Vignola was also there on at least one or more occasion in my office. We reviewed the item, and we have been asked for an opinion; we wrote the opinion, and in our opinion, that's what it says. Now, if you say, Why doesn't it say more', I can't answer your question, at this point, as to why it doesn't say more. Our opinion was that it doesn't and if they wanted it to be able to be more inclusive, then we needed to change the language."

Ms. Greenberg stated "Nobody's arguing that that's the end result. My question is 'Why would you allow a contract to be written like this, when it's obvious that it's not complete enough to give the Auditors what they need?'"

Mr. Marko replied “If it were that obvious, I would hope that Mr. Reilly would have indicated that to us, and we could have then addressed it.”

Ms. Greenberg answered “That’s not his (Mr. Reilly) job; that’s your job.”

Mr. Marko replied “No, Ma’am! We don’t ever determine what’s under the lawsuit for the right to inspect somebody’s books, records, reports, etc. That’s not my role, my point is this. If, in fact, you’re asked for some materials, and you don’t get it, under those circumstances, you would then want to assert. If we assert it, it is my opinion that the language in that contract did not provide this. I will share with you that I have written many contracts and have read many contracts, where you think and the other side thinks it is clear until one day, 40 years later or whatever it is, all of a sudden, somebody looks at it and says ‘I’m not giving you this or you can’t do this, because I interpreted it this way’. We went through it to see how it would be interpreted and what was being asked and that’s our best call.”

Ms. Greenberg said “We agree to disagree.”

Mr. Notter stated “Let me understand. From the point of a CM at Risk contract, ultimately, the CM goes out and receives bids from the subs, with an intent to obtain the, (I won’t say the lowest price), but the fairest price, then we come to the interpretation today. Now the Chief Auditor has asked a company to view the work papers of that sub process from a CM at Risk contract. The integrity of that sub process of the bidding of the subs and now we cannot use our contract language to, in fact, obtain those bids, is that the understanding? This is a critical point, because obviously, if it’s close to what I just said, then we need to strengthen the contract language. The last couple of months, between Pat, Ed and myself, I want to make sure that I understand what we’re doing right now, that we’re taking appropriate action to get what we need.”

Mr. Rhodes stated “The information for which you were referring, that information is found within the cost of work portion of the job, and the CM actually gave us access to that information. That’s how we were able to actually review the information and draw an opinion on the self contract bidding process. Where we had problems was when we were asking for access to accounting information that had to do with the different fee categories. For example, if you look at page 2 of the document Mr. Marko provided today, just when you get past the portion that is underlined, it states “such records, subject to examination, shall include, but not be limited to, those records necessary to evaluate and verify direct and indirect costs, including overhead allocation as they may apply to the cost associated with this contract. One of the problems that we have here is that overhead is one of the fee categories, so when we’re saying in this that it’s including the overhead allocation, how can we evaluate overhead allocations without access to that fee category. There are many different parts of the contract where the work or services identified in the contract are associated with one of those different fee categories. For example, there are items that are identified in the contract that shall happen and there are items identified in the contract that shall not happen. Without access to those fee categories, we cannot determine whether they complied with the “shall” and we certainly cannot find whether or not the District was charged for something that fell within that “shall not” category. The intent is referred to by SREF as an open book process, yet, we were not given access to those books. It comes down to what Mr. Reilly stated earlier, in 44.5 of that Article, which states that if we do find any

overcharges, we cannot actually ask for those charges, but we can ask for payment for the cost of our audit if those charges exceed 2% of the cost of that contract. It's simply a formula. I don't believe at the time that our attorneys (for lack of a better word) blessed it, they gave any indication that they felt we wouldn't have access to the documents necessary to make sure that we got our "buck's" worth. That's the answer to the difference between the cost of work documents that we did get and the fee related documents that we did not get."

Mr. Notter added "I know when I worked in the Facilities Department, the CM at Risk delivery model was discussed at that time. We had a highly qualified cadre attorney for one of the original CM at Risk contracts. Now, we have, because of our audits, because of the people in this audit, found a place in those contracts that needs strengthening. That contract dates back to when I was in Facilities, about 10 years ago. I want to make sure that I understand. We didn't just recently develop a CM at Risk contract. This came up as a result of an audit."

Ms. Greenberg stated "I think, and I hope my colleagues agree, that we should discontinue all CM at Risk contracts until we get this under control. Obviously, it is not and this is a classic example of why it's not. I hope we have 5 minutes to look at that video. It's really important when we're talking about being so short of money."

Mr. Wolter asked if she (Ms. Greenberg) would like to put that in the form of a motion. Ms. Greenberg said she would at the end of the meeting.

Ms. Fertig stated "I have been appointed by Ms. Kraft, and I know she has had a number of communications on this issue. One of them was to pull the collaboration forms on all fourteen projects. I noticed that there is a sign off on the collaboration form for the Auditor. I know Mr. Rhodes has signed this form and what he signed was to verify the inclusion of the Right to Audit Clause only. That is the one thing that you verify, is that correct?"

Mr. Rhodes answered "That is the one thing that we verify. I can give you a brief background on that. What was happening in the past was that we were reviewing this and there was a statement that used to be on there that read "By reviewing and signing this, we believe this is in the best interest and fair and equitable resources being used for the students in the District. I didn't feel comfortable because I wasn't sure that these projects were being distributed fair and equitably; I wasn't sure that they were not, but I didn't feel comfortable signing that. Secondly, there were a couple of different situations where we performed an audit, for example, and Mr. Garretson would then say 'Well, you signed off on the collaboration, so you already had your swipe at that, so to speak. But the real thing is that, when we're collaborating, we are primarily collaborating to do a couple of different things. Number one; is this project in the 5-year plan? Number two; is it properly funded? Number three; is the scope that was identified in the 5-year plan the scope that we are sending to the Board to be approved within this contract? The next item would be; is there any language in here where the numbers identified on the agenda request form do not line up with the numbers that are identified in the actual contract that's being brought to the District? There have been some scrivener's errors on occasion, which we try to catch. Finally, we would look to say: Is Article 44 contained in this contract? The answer is yes, but we got to a point where we only felt comfortable saying 'this is what we've reviewed', so that later, there was no assumption or presumption that we had gone through this contract from beginning to end to

ensure that everything contained within this document was fair and conducted exactly in accordance with the contract and we would never have a problem with it.”

Ms. Fertig stated “I think that’s appropriate, because I think it would be hard for you to audit your own work later. I’m just pointing that out that these collaboration forms were signed. I’m just going to pass this down so you can get an idea what this form looks like. I have my initial reactions that I have and I have discussed this with Ms. Kraft. I want to point out that on February 17; let me start by saying that these projects were initiated under a different Superintendent and a different Director of Facilities. I think that’s important to recognize. I’m going to ask you a lot of questions, but my first question is how much of this is reduced to policy because this audit seems to be written about the School Board. In fact, when I read it, I really felt it was more appropriate to write it about the School Board staff. The reason I’m saying that is because Ms. Kraft specifically asked this question on February 17, 2007. She voiced concern that the contractor (this is on the Margate project) was the only bidder on a low bid contract. She inquired whether it was acceptable to have only one bidder on this contract. She asked this in a School Board meeting, so I’m assuming everybody was there. Mr. Garretson responded that the State Requirements for Educational Facilities (SREF) requires three bids, but there is no minimum requirement for a hard bid. I don’t know what that means.”

Mr. Rhodes replied “That is not true.”

Ms. Fertig continued “In any event, what I am saying is I believe the Board heard this information about the collaboration form. Whose responsibility is it to oversee and make sure that all requirements are met before bringing an item to the Board?”

Mr. Reilly responded “I think the Department whose bringing it forward would be responsible. My office and Mr. Marko’s office both perform a cursory review, because we are both on ELT, but I don’t think it’s feasible to feel that we should be able to read every agenda item, especially, for example, two of the things that we are bringing forward. We were trying to improve the situation for the Board. When you look at an agenda item that says ‘the contractor was the lowest bidder’, it sounds like there must have been other bidders, but actually, they were the sole bidder. I would have no reason to question that unless I felt I needed to pull out all the documents before the item was brought to the Board meeting. We don’t have the time or the staff to do that, and I think the buck stops with the Department that is bringing the item forward. The accountability lies with that Department, because you have to rely on, with an organization as large as the School District, you have purchases from all the different departments; it’s just not feasible to be able to catch everything. We do bring things up all the time, when we question items, or when Mr. Marko questions the law, but we can’t determine if everything is totally correct each week that we do this.”

Ms. Fertig asked “If you receive an answer that everything meets the requirements, as a Board member, at what point do you start second guessing the staff’s response that you’ve received? What staff person is responsible for keeping the Board informed of State law and construction requirements per statutes?”

Mr. Rhodes replied “I don’t know the answer to that question.”

Ms. Fertig added “Why did you use these prototypes after you replicated it and before you tested it for faults and did you meet the legal requirements of CM at Risk when you used existing plans? I think the Board members are asking those questions and the third question is the Margate thing. I’m asking these questions, because if you don’t have a system in place, this is going to happen again.”

Mr. Notter responded “It’s the Division Head that is accountable for everything that falls under their authority. In this particular case, it would have been Mr. Garretson.”

Ms. Fertig stated “It seems to me that you need to take these major things and put them in your policies, so they are easily accessible to everyone, the person in the audience, the Facilities Task Force, your staff, the Auditors, Mr. Marko and the Board members. I know these are in the State statutes, but these are a couple of things that I think, for example, if someone had seen in writing that you cannot replicate a prototype before it’s done, and maybe they’re already in existence.”

Mr. Notter stated “That one you mentioned, and the ones not mentioned, significantly upset this Superintendent in reviewing this work product. It is the reuse one; been here long enough to know of the Grand Jury report and the Mold and Mildew that we brought back in this District to what it should be. That was a major concern in the Grand Jury report, the reuse. In that particular case, from my observation and the workload I had at that time, was because of the parapet caps leaking and other kinds of things that ultimately caused mold and mildew in some of our schools. The recommendation, if I recall, was that any prototype would be in existence for one year and then be assessed according to building codes and standards. I can remember a former employee, Tom Getz; that was one of his responsibilities, to do that type of assessment, after the building had been in operation for a year. Clearly, that one hit me hard, because I know that workers in the Facilities Department clearly knew and understood what the Grand Jury report said, because I worked with them, not only as their temporary, two different times, but also leading the mold and mildew charge. It wasn’t new information and I think that’s what appalls me the most.

Ms. Fertig added “In the final analysis, the two groups that will be most criticized will be the Superintendent and the School Board, but it looks to me like you’ve got a massive failure in getting your information from this level to that level. You’re telling us you’ve got Grand Jury recommendations and are training people, you don’t need to put it in policy because everyone should know it, but I still think you should put it in the policy, just to make a user friendly guide for what people should do. At some point, when are people held accountable? That’s a question we always have here, and I know it’s not exactly an audit question, but we’re talking millions and millions of dollars. I’m most familiar with schools that don’t get projects, even though they are promised them, so I know what that costs the District, not just in money wasted, but in projects that haven’t been done for other people who need them. I think that if there’s one outcome (the Board’s always asking what the outcome should be of this Committee) that you have got to strengthen the process, for example, when a Board member asks ‘shouldn’t we have more bids and gets the answer, no, no, no, it’s fine, there has to be some accountability for that.”

Mr. Notter said “I agree, I’d add a piece to it, certainly these last couple of years, it’s become a much more prevalent word (accountability) being used, and that is, to necessarily have within all

levels of the organization, first off, so everyone gets it, to have administrative/ethics training and role responsibility training. It's incumbent on any employee who believes they see something being done that is contrary to the organization's value system, that we have a process in place where that information comes forward. The more that I read about some of the things that have gone on in the last couple of years, especially in governmental organizations, the more committed I am in making sure that all of our staff receive that fundamental training, so they know and understand it's their role to do that. I'm looking, from a policy standpoint, to have a policy statement there. I have not discussed it with legal counsel, because it's a policy, and I've got probably 7,000 of them in job descriptions. I believe there's a way that I can do it and get it in a couple of thousand job descriptions that I have within a very thin Board item, so I'm not bringing 7,000 items back to the Board. I professionally believe, in the new normal, where we are right now, that belongs in everyone's job description, including mine. That's policy for me, so I can take that job description and say 'Ms. Jones, Mr. Smith, it is in your description, and you did not bring this forward'. It also ties back to that training piece so that all employees know and understand that they have a corporate, a company obligation, and a Broward County School obligation to bring it forward and here's the venue to bring it forward. I haven't had a discussion with staff here, is that venue to the Auditor, to the Attorney, to the Superintendent, to the Superintendent and the School Board, so you have a check and balance? After reading this, that's where I am."

Ms. Fertig added "Good. There are a couple of other things that hopefully, you'll add in there. I know you hired Mr. Cooney promptly after this happened, but when you have a specific question like Ms. Kraft asked on this specific Margate project, it just seems that the person who should be sitting there is the construction attorney, to say whether or not, for a specific question like that, it has complied with state standards? It either has or hasn't; now we know it hasn't."

Mr. Marko stated "It is my understanding on a hard bid, if you look at the three in your report, those did not comply with, it's not clear . . . The law with CM at Risk, as I understand it, you need to get three solicitation responses to the bid, but you do not have to have three bidders when you are doing a hard bid. The law does not require three bidders, as I understand it. The law says you need to notify more than three bidders, or a dozen, or whatever it is, that you're doing what you're doing and the solicitation for the bid needs to be clear, etc. When somebody says to Ed Marko 'Well, we only have a single bidder on a hard bid, I have to say that's OK', because I naturally assumed that we went on Demand Star and put that out and the Invitation to Bid was put out there to several hundred people, so we complied with the invitation. Had there not been any amendment, that's where I think he finds that the amendments were not exposed to the extent that comply with the law. Assume for a moment that there was no amendment; under those circumstances, a single bid, being submitted as it was, would have been accepted."

Ms. Fertig continued "So, Ms. Kraft's question was answered correctly, but maybe another piece should have been added that we incorrectly advertised."

Mr. Marko added "Well, that doesn't show on the agenda item; it doesn't show on the back-up material as to how many solicitations went out on this web and who came and picked it up. That's just not there, so I would not, as the attorney, and I was there and heard that, I looked at the item and found this to be appropriate with a single bidder. I couldn't imagine that someone

would put an item out to bid and not solicit bidders and would have gotten only one bid; that would be absurd. It would be illegal, but quite frankly, until you do the audit, you're not going to find that type of material out, so the answer is, I believe that the answer is correct. You can award to a single bidder on a hard bid, but as the law tells you, it cannot be done in such a manner where you are restricting the opportunity of others to be able to competitively bid. The whole purpose of the statute is to competitively open the door; not to be restrictive, so when we heard that, and I reviewed that, I believed that was correct. I am not aware, and I have been doing this for many years, and I have never asked anybody to show me the number of who received addendums to a contract, to make sure that we complied that there was a reasonable amount of people receiving them. The answer to your question, Ms. Fertig, and this goes in line with Mr. Reilly's position, we have to rely upon the head of the department to present materials that he/she believes complied with the laws and regulations and the policies of the School Board. Mr. Reilly and I, as it relates to the Facilities Department, have been appearing with Mr. Rhodes and we go to this APG, and we're stopping, I can't tell you how many times, we may get a stack of 50 items and 14 or 20 of them are taken back, because one of us, either Mr. Reilly's office or my office has found that it doesn't comply, it didn't match, it wasn't clear. We ask those questions now, but if someone really wanted to do something illegal, by getting someone to sign on there, you wouldn't know until the issue comes out, so I believe that there is right now, sufficient checks and balances in the Facilities Department, compared to where it was and compared to where it was before that, because at one point, we were getting hundreds of items that were inappropriate. Ms. Kraft then asked that I started reviewing that, and I did, and we started to cut it down, then Mr. Reilly joined the group, so under those circumstances, I believe that a single bidder is permitted."

Ms. Fertig said "Thank you. I understand a lot better now that you've explained all that. I just hope it would be clear in here that, you need to obviously, fix the Right to Audit clause in the contract. I'm appalled that a person wouldn't let you review those records and that they are still working for the School Board."

Mr. Rhodes added regarding Item #3 "I think the response given to us by the Facilities Department is an excellent way to fix that process, because they're saying 'we need our plan holders to make sure that they're identifying all the people who have received the addenda, so we can ensure that on our own part, we are complying with SREF, saying that we have to solicit at least three bidders. Maybe only one of them turns in a bid, but we've been able to document that at least three, as required by SREF, have received the original Invitation to Bid and all addenda after that point, so that we've ensured that we've documented it on our part. We think that's a great answer; that's a great way, an accurate way to remedy the condition that we've outlined. That's what a response to our recommendation should do, fix the condition."

Ms. Fertig stated "I still think that just the basic requirements for each of these contracts should be something, even a short statement, which the Board members all have. The way Mr. Herrmann has suggested fixing it, I think that will do it."

Mr. De Meo asked "The first observation from the internal auditors is about discontinuing the CM process. In your judgment, does that process add value?"

Mr. Herrmann replied “It depends on the type of project. We have experienced a better product, a better process, better quality of services, large, lengthy complicated phased replacement projects, such as a high school project. The first three we did were Dillard High School, South Broward, we built High School HHH.”

Mr. De Meo asked “In the circumstances observed here, where significant cost studies have been done before the CM was hired, in that case, is it necessary to have the CM and have that added cost? The \$24 million cited, I’d like to think the School Board got some value for that \$24 million, so is it appropriate in those cases, as observed here in the audit report, to have a CM?”

Mr. Herrmann replied “These projects range from simply building a new cafeteria to major renovations. For those where you’re simply building a reuse cafeteria, the plans are already prepared, you get minimal value. You probably get an above average contractor, but as far as value added beyond that point, it’s minimal. Some of the projects involved a major infrastructure, paving, and coordinating; there, you would have received more value, but in all, this type of project does not fit the model for a typical CM at Risk.”

Mr. De Meo continued “On page 13, there are about 15 projects listed. I’d be interested, and I think the Committee might be interested in how many of those projects really didn’t need a CM and why we had a CM. There might be a simple explanation, like those were the rules at the time, but somebody had to make a judgment at the time. It seems to me common sense should be part of that process. Without asking any further questions, I’m going to ask the Chair if it’s OK to ask you to tell us what you think about those projects on page 13 and see if they all needed CMs. Also, on a guaranteed maximum priced project, I think it’s a good idea that we have a Right to Audit CM’s records, but if it’s guaranteed and they are at risk for the price, and the sub-contractor’s contracts have already been let and bought, what would we gain by having such a provision? Is there value in having a provision where we could audit records of the CM, whose basic role is a construction manager? What do you think?”

Mr. Herrmann replied “CM at Risk has two cost components; first, we negotiate a fixed lump sum fee that the CM is entitled to in total, if they complete the contract. That fee is comprised of three basic components, staff salaries and services, overhead and profit, and general conditions. The audit provision, rightfully, entitles the School District’s Auditing Department to access the overhead documentation, even though it’s contained within the fees.”

Mr. De Meo asked “What do we gain by that?”

Mr. Herrmann replied “We gain an understanding that you’ve paid a fair fee.”

Mr. De Meo added “Shouldn’t there be deliverables up front in the contract that state ‘you will perform the following in detail and that describes the value and therefore, establishes that to be a fair and reasonable consideration paid’. I’m having trouble understanding; I do think we should have the right to audit where there are any contingencies or where the fee isn’t fixed, where there could be misrepresentations, as one of the Auditors pointed out, but I would like to know if you think that language is necessary each and every time. The General Counsel made it clear to me about the bid process and what’s involved. If the Chair permits me, on the next item, I’d like to

move on a recommendation for the Committee to consider. That's on number 3. Was any of the language intentionally misleading, with regard to the representations about the lowest bidder, with regard to Margate Elementary School and PWC (Padula Wadsworth Construction?)

Mr. Herrmann replied "If it was misleading, it was not intended to be. I think it's a grammatical issue. We did, in the item, disclose in Exhibit #1, the bid tabulation, which clearly states . . ."

Mr. De Meo asked "Was that different than any other bid, where there was only one bidder?"

Mr. Herrmann continued "No, in fact, between January 3, 2006 and March 16, 2007, we received one bid in a hard bid situation, recommended to the Board that it be awarded, and in fact, the contract was awarded."

Mr. De Meo asked "Was the period of time from the time the RFQ was let and the amendment to it was made, was that an unusually short time period?"

Mr. Herrmann replied "No, it is not uncommon to issue addenda within 10 days of a bid opening and change the bid opening date to greater than 7 days before the bid openings."

Mr. De Meo asked "The project was listed as \$4.4 million in the RFQ, but was let for \$5.2 million. Is that correct?"

Mr. Herrmann answered "Yes."

Mr. De Meo asked "Why is that. It was actually 5.7 million. Why is that?"

Mr. Herrmann replied "The award was for \$5.2 million. When this project was estimated for delivery under CM at Risk, it was estimated at \$5,750,000. When we adjusted it to go out to hard bid, that number was reduced to \$5,570,000, so when the bid was 'on the street', our anticipated bid amount was \$5,570,000. The single bid that came in was \$5,200,700."

Mr. De Meo asked "Do you find it unusual, with something like this where you had all these bids on these other projects, but only one bidder on this project?"

Mr. Herrmann replied "At that time, it was not unusual."

Mr. De Meo said "Out of 350, there was only one bidder?"

Mr. Herrmann answered "That's correct."

Mr. De Meo said "I mean, weren't there 3 or 4 that kind of fell off and had interest and expressed some interest, I mean, there was only one bidder?"

Mr. Herrmann replied "Out of the 350 that received the invitation/solicitation, and or read the newspaper ad, I think it was about 18 that filled out the application for bidding documents at the Printer location, where those documents are distributed and they indicated on their application

how they wished to receive the addendum or whether they wished to receive the addendum. Of those plan holders, only one bid.”

Mr. De Meo asked “Do you find any of the fraud factors present, in your judgment, in this case; the timing of the submission of bids; the failure to ensure that sufficient number of potential competitors or that the bid solicitation was fake? Did you find any of those factors applicable to this Margate Elementary School, in your judgment?”

Mr. Herrmann replied “No.”

Mr. De Meo continued “Do you agree that we should provide, as part of the documentation of these awards, all of the facts that you just gave me; 350 were asked to bid, 18 were asked for the bid package. Do you think that’s a good idea?”

Mr. Herrmann stated “Yes.”

Mr. De Meo said “OK. Since we don’t know the detailed workings of the department, our Chief Auditor has done an excellent job, as usual, bringing the facts to our attention. I’d like to move at the appropriate time that we further investigate this matter through General Counsel and at his recommendation in collaboration with the Superintendent and Chief Auditor, move forward and take whatever steps seem to be appropriate.”

Mr. Wolter stated “When we get to the point of transmitting this report, that’s where we can add our comments. Charlotte already has a comment on the table, which we will address at that time and present. I’d like to wrap up the comments and questions, unless anyone has any new or different items.”

Mr. Perrella asked “Back on page 15, on the three bid issue, I need some clarification. Mr. Marko brought up an excellent point that this particular comment did not discuss, and that’s the term hard bid. I don’t know if hard bid is a legal term, a contract term or a term that kind of avoids the fact that we get three bids, but if it is something that should be included, and I’m now referring to page 15, the SREF at 4.2, Item H, ‘the Board shall consider all bids received and either reject all bids or identify the appropriate low bidder’ etc., it does not discuss hard bids. What’s confusing to me, after listening to the discussion, is that our recommendation does not get into the term hard bid. I’m not sure that it should, but the hard bid process eliminates the fact that we did not need three bids, which is contrary to the SREF Item 4.2, H. I would like to look at our recommendation, and of course, if the recommendation should include the term hard bid, the completion date of the administrative response of September 20, 2010, should that include a discussion of hard bids, and in essence, eliminating the three bid process, then maybe we need to revise Item 3.”

Mr. Rhodes stated “I just want to let you know that the term hard bid is synonymous with what you see in the title of the finding: Design, Bid, Build. That’s a delivery method whereby plans and specifications are released and then field bids are received, opened and then the lowest responsive and responsible bidder is awarded the project. So the term hard bid is synonymous, so

when we're looking at the title Design, Bid, Build, we're simply looking at the same hard bid process. One is kind of a street term, the other is an actual delivery method as I identified."

Mr. Reilly added "One other thing I'd like to add, regarding the requirement to get three perspective bidders, I believe that if you have put out a bid, and then you also put out an additional addendum, that becomes part of the entire bid, so one of the concerns we had here was whether everyone received the addendum that said 'we are changing the due date to submit your bids'. I don't know if it's overlooked, but in Demand Star, you can see that the bid date was changed, but it doesn't show the new bid date. We could only confirm that the winner of the bid did receive the official addendum #2 that showed the new date of submittal for the bid. We could not determine, (nor could the District or the Printer), whether anyone else got the second addendum. One of the things we're trying to emphasize is the importance of strengthening the procedures so you can document that you did make sure that all bidders received the addendum, which had a significant change to the contract, or to the bid process, where you were changing the date. However, if you looked at Demand Star, all you could see at that point in time, was that the date changed, but the new date was not entered on there. I know that the winning bidder was able to show us that they did receive the addendum, which showed the date on it, but what's on the Demand Star, which a lot of people are relying on, did not show that new date. Also, regarding the CM at Risk delivery method, I'm not saying that it should never be used, but in this situation, it shouldn't have been used in a reuse, where the significant portion, or 100% of the drawings or at the point of being able to permit the drawings, had already happened, because you're losing what the role of the CM is supposed to be. The CM is a consultant at the beginning of a project and then, really turns into a contractor, once a GMP has been set up and construction occurs. We never want to say that we should never use a CM at Risk delivery method, but in this situation, we felt that it was not proper to use that method."

Mr. Rhodes added "If I can tie that together with something Mr. Herrmann said, Mr. Herrmann was describing scenarios in which the CM delivery method would be a good method to use, and that's where you're looking at large projects that are complex. I completely agree with his analysis on that, but I think it's important to emphasize to the group how that ties back to these findings, and that is part of the reason that it's better to use a CM at Risk in certain scenarios, specifically with large and complex projects because of their opportunity to provide pre-design and design coordination and planning, in conjunction with the architect engineer to help plan for those complexities that the job site may provide. For them to step into that role after the design has already been done, the methods have already been laid out within those plans that have already been completed, we lose the benefit of what a CM can bring to the owner, so it's very important to go back and reinforce what Mr. Reilly was saying. In no way are we saying that the CM delivery method should be abolished in the District, we're simply saying it should not be used when the drawings that are being used with that project are sufficiently completed, where we lose that benefit of the CM's input during the pre-design and design phases."

Mr. Wolter stated "I'm going to end discussion at this time. I will entertain a motion to transmit. I have minutes to say that there are two comments to be requested on the transmittal; one is that we update and revise the language in the Right to Audit Provision in all contracts, and the second is to discontinue the use of CM at Risk until adequate controls are established. Are there any other comments?"

Ms. Greenberg added “Yes, I’m saying this because with the well publicized and true financial conditions that the District finds itself in, there is a horrible fiscal crisis in the School District and because I don’t want anyone to be able to say ‘they’re just looking to milk whoever they can to get this money back, of course, they’re going to tell their lawyer to go after it (money back). I would really like to recommend, because we don’t want that impression to be out there, that we get recovery of this \$24 million, using an independent counsel, so no one can say ‘of course, they’re going to do that’. That’s another recommendation I’d like to put in.”

Mr. Wolter said “So, we have three recommendations.”

Ms. Fertig asked “So, you’re recommending pursuing the \$24 million and doing so with outside counsel?”

Ms. Greenberg replied “Yes.”

Ms. Fertig stated “I would like to see the policy be amended to include some of the things we discussed.”

Mr. Wolter stated “Where we say ‘adequate controls are established, including those discussed at the Audit Committee.’”

Ms. Fertig continued “As long as those are specified. You did a wonderful job of saying all that.”

Mr. Wolter stated “They will be in our minutes.”

Mr. John Herbst stated “The only suggestion I have, with respect to the CM at Risk, because I’ve looked at this and dealt with this with the City, and a lot of construction projects we deal with, whether hard bid or CM at Risk, the one thing that I demand from our Public Works and Engineering staff, is in our agenda items that go to my City Commission, there is a memo that discusses the justification for a particular type of delivery process. I think that should be part of whatever goes to the Board for approval. There ought to be a full and complete discussion of why this particular delivery method was chosen and why it’s most appropriate for that project.”

Mr. Wolter stated “We’ll add that as a fourth bullet.”

Mr. De Meo added “I think to suspend the use of CM right now is a mistake. I think you have to leave that up to the professionals.”

Mr. Wolter stated “Just a minute, Sir. We’re not telling them what to do; we’re recommending. Right now, we lost \$24 million for misuse of a CM.”

Mr. De Meo stated “I don’t think that’s true.”

Mr. Wolter replied “I’m not going to debate it with you. We’re going to vote on this; number 1 transmittal. Are we going to recommend discontinuing CM at Risk until the School Board has its controls in place?”

A vote was taken and the motion passed.

Mr. Wolter continued “Now, the second one is to pursue recovery of the \$24 million using an independent counsel.”

A vote was taken and the motion passed.

Mr. Wolter continued “Amend the language in the contract, so we obtain the right to audit.”

A vote was taken and the motion passed.

Mr. Wolter continued “And the fourth, the proposal from Mr. Herbst of indicating why we selected the delivery system with the agenda items.”

A vote was taken and the motion passed.

Mr. Wolter added “Remember, these are recommendations for filling our responsibilities under the bylaws and I know I’m normally the guy on the other side of the table saying that we shouldn’t be making policy; I don’t think we are. Just to read a few points from the bylaws, our responsibilities are to review all reports from the Chief Auditor, hold timely meetings with the Superintendent or his or her staff, discuss deficiencies, and ascertain the timeline, action plan and funding and appropriate recommendations. Again, we’re not setting policies, we’re making recommendations. It’s also our responsibility to monitor corrective action agreed to, based on internal and external recommendations and advise the Board of any deviations, and finally to review policies and procedures affecting the financial areas and make recommendations to the Superintendent and the Board. Although I’m the guy who usually says we shouldn’t be making policy, I think this is big enough that we have to make our presentation to Mr. Notter and the Board for them to take action.”

Ms. Greenbarg stated “The last one was to incorporate what Mr. Notter was talking about in terms of changing the policy and the whistleblower, if you will.”

Mr. Notter “For me, when I hear the word whistleblower, that has a connotation to this Superintendent that there is no vehicle to ‘get it out there’. That’s not what I’m saying, what I’m saying is that you must build within the culture of your organization. The process for when people see something that’s going wrong is that they have a confidential way to give it up. The Superintendent and the Board Chair don’t have that piece perfect. That’s really where I’m at. That’s my only opposition. I don’t really have an opposition; it’s just the wording, that’s all. You have to build that culture within the organization. We’re just too big and multi-faceted to not have that.”

Mr. Wolter stated “One last item, Mr. De Meo, you raised another point in terms of specific review of Recommendation #3.”

Mr. De Meo stated “My motion would have been to have the General Counsel; I don’t think we should be spending money on independent counsel now. Have General Counsel review the report about the use of CMs and if it was an appropriate use of CM’s, if any policies were violated and to investigate the Margate Elementary School. That might tell us a lot about the process. Those would be my specific recommendations, that the General Counsel investigate those, collaborate with the Office of the Chief Auditor and the Superintendent to determine what further action, if any, should be taken. That would be my motion, but I guess we’re under discussion, so I don’t know if you want to . . .”

Mr. Wolter said “OK, we have a motion on the table to add that to our transmittal with recommendations.”

Ms. Greenberg stated “The investigation part, I’m just not comfortable with the wording on that. Who’s investigating? The Auditors already did the audit.

Mr. Wolter said “The recommendation is that, Mr. Marko, along with Mr. Notter and the Internal Audit team review the use of CM at Risk in the situation that they were used, for propriety or for abuse. I don’t know if we’ve got that covered, based on our recommendation, to go after the \$24 million.”

Ms. Fertig stated “I like the motion. I think it’s appropriate to do. It’s separate from some of the other things that we recommended. It’s specific to this audit. I think it’s an accountability measure. Mr. Marko has Mr. Cooney on staff on construction matters and I think you all have pointed out a number of things. I’d be interested in hearing, right off, we don’t know if there’s a problem because the prototype was built after the . . . I think it’s a well thought out motion and I think it should be done. That’s separate to me and should come after any dollars . . .”

Mr. Wolter and Ms. Greenberg stated “Good point.”

Mr. Rhodes asked “May I just add one point for clarification? I’m a little confused. Finding #3 is about an Invitation to Bid.”

Mr. Wolter stated “I expanded it beyond Number 3.

Mr. Rhodes said “I’m sorry, then I misunderstood. I thought you were talking just about Number 3.”

Mr. De Meo added “I do think that should be the focus on Number 3 on that process of letting that contract to PWC (Padula) and if there were any irregularities or violations of our internal controls or the lack of appearance, I think that would shed light on the whole process. That should be focused on along with the evaluation of the CM use, which seems to indicate that there may have been some inappropriate use of that at the cost of the District. General Counsel, I

think, is adequate to do that, and I think they should collaborate with his findings with the Chief Auditor and the Superintendent for determining what should be done next, if anything.”

Mr. Wolter said “We have a motion to transmit with 5 additional comments. I just checked with Patrick; he thinks he’s got them nailed as to the wording.”

A motion was made to transmit. Motion carried.

Auditor General – Broward County District School Board Financial, Operational and Federal Single Audit Report for the Fiscal Year Ended June 30, 2009

Mr. Wolter stated “I’d like to stress to the Committee that this is a very long report with a lot of good information in it. If we look specifically at Exhibit A, which is the staff’s response, and the timing of action and ask that we don’t invest a lot of time re-hashing what’s already been committed to.”

Mr. Reilly began “This is the State of Florida Auditor General’s Report of the Financial, Operational and Federal Single Audit Report. They completed the audit in March of this year and it represents the fiscal year of June 30, 2009. The financial statements received a clean opinion. I’m presenting a report that was prepared by an outside group, but I’d like to give you the highlights. On the operational side, there were 16 findings/recommendations identified. As you can see, there were several IT issues, payroll issues, monitoring types of issues, for example, with payroll, some P-card, Property and Inventory and there were suggestions relating to the development of adequate policies for communicating and reporting known or suspected fraud to the appropriate authorities. They mentioned that, as they were doing the audits throughout the State, there are policies and procedures on how suspected fraud is handled by staff. That was one of their findings that they added this year. This year, they did the Federal Audit and there were three audit findings related to the Federal Single Audit. In there, they had some issues with the Federal portion of the \$60 million transfer from the Workers’ Comp Fund and also they had some concerns about some expenditures that were charged to a Child Care Cluster program that appeared to be an additional or a double billing for some services. There was a process when the District had unclaimed checks for certain grant programs to tighten the procedures relating to when checks go unclaimed and getting them back and returning those checks to the Grantor.”

Ms. Greenbarg asked “Can we please get a matrix with an update on the progress on all of these things that are going to happen?”

Mr. Reilly replied “We will. They come every three years to do the audit. When they were here to do the 2006 audit, we ended up doing four current status reports, as each item was corrected. We will be doing that with this report.”

Mr. De Meo asked “Mr. Chair, I take it that you’re going to address the matters raised by the Auditors regarding the Audit Committee and the election process.”

Mr. Wolter replied “That was already done last September.”

Ms. Fertig asked “This is not on the findings, but I had a question on the Broward Education Foundation. I know we get the reports from the Charter Schools and we’ve reviewed them at our meetings over the years. I’m wondering if we do that for the Broward Education Foundation, as well.”

Mr. Wolter answered “Yes, it’s on our annual report.”

Mr. Reilly stated “We usually don’t bring the separate report that’s now being done by an outside audit group, other than Moore Stephens Lovelace. We can bring that as a separate report.”

Ms. Fertig continued “I’m reading in here that we, the taxpayers, are paying the ongoing expenses. I think it’s important to make sure that goes through the processes and we know the outgoing expenses.”

So, Patrick I’m requesting that that audit be included.”

Mr. Reilly replied “It will be included.”

Mr. Perrella asked “On page 76, regarding the schedule of findings, the question involves federal award funding, number two related to be a significant deficiency. That appears to be the only one. That’s on page 89. That was the only significant deficiency out of all of them. I guess that’s been taken care of and will not happen again?”

Mr. Reilly replied “I think that was just a work order that was billed twice in error and was caught and was a one-time error.”

Mr. De Meo stated “I think the School Board should be commended for having no material weaknesses and no major findings.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Audit of the Internal Funds of Selected Schools in the North, Central and South Areas

Mr. Reilly stated that the Internal Funds audits consisted of all three areas and contained a total of twenty-three audits; nineteen audits had no audit exceptions and four schools contained audit findings mainly related to payroll, remittances, the After Care program and the handling of vending commissions.”

Ms. Greenberg stated she was glad to see the improvement. “On page 59, you’ve got weekly meetings going on there. I think that’s really important when it is serious and something you really want to watch to have a weekly support.”

Ms. Sharon Airaghi stated “The Principal sends those minutes to the Area Director, so it’s been very helpful.”

Ms. Fertig stated “Since the last meeting, there was some discussion on meeting with the Principals to discuss the use of Discretionary funds. Did that happen?”

Mr. Reilly replied “I met with Dr. Herbst and we are getting a group together to discuss the issue. Delores McKinley, who is not here today, and I, discussed this and we are in the process of making some changes to clarify what can be done with these funds, specifically the vending commissions, which have been a problem and have sometimes been deposited into the Faculty account. We will tighten some controls and get some different ways to address donations. We don’t want to head back to the creating of another Discretionary Account. That’s not what the intention was and we want to prevent that.”

Mr. Wolter asked if that could be added to the Follow-Up items and Mr. Reilly agreed to do so.

Mr. John Herbst commented “The one concern I had, reading through the schools with exceptions, was with late remittances. It seems that’s a recurring theme on all the ones with exceptions. I also noted when I went back to the external auditor’s report, on page 79, their finding #4 about decentralized collections, also talks about timely deposits of collections in the bank. That seems to be something that, I guess, is not filtering down to the staff, not to “sit on the money”. I guess it’s getting through to some of the schools, but not to all of them yet. It distresses me to see that repeatedly pop up.”

Mr. Reilly commented “I agree, we saw a little more of that, not with the schools, but with the departments, as you mentioned in the other audit. Cash deposits should be one of the priority items.”

Mr. John Herbst added “Even if the amounts are not significant, as you say, it’s a likely area to be subject to fraud and it’s extremely important that staff get the message.”

Mr. Wolter asked “On page 6, on Forest Glen, the reason given for their problem is an open position, which they weren’t allowed to fill. In light of the fact that there are layoffs in the schools, is there a way that you all can work with, so that when we have an open position, it doesn’t lead to late remittances or payroll problems and so forth. If the answer is yes, then I’m satisfied.”

Ms. Airaghi stated “Yes, absolutely.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “There were thirty-nine locations in this report, twenty-three were schools, and sixteen were departments. Thirty one locations complied with the prescribed policies and procedures, while eight had some type of audit exceptions. On pages 7 & 8, you can see the Departments that had “clean” audits, which makes Mark’s training successful, showing that many locations are following the procedures to safeguard their assets.”

Mr. Wolter added “Even on the locations with repeat findings, there was improvement.”

Ms. Greenberg asked “Mark, there were some schools that showed a lot of lost laptops. What happens here, they wait and report them lost at the end? What is going on?”

Mr. Magli replied “Systematically, you know that we’ve suggested a team approach at the schools and departments. It’s often difficult for one individual to track a school’s entire inventory. The Area folks have initiated many checks and balances that if the schools are, in fact, on a continual basis, monitoring their inventory, unrecognized loss of equipment would not occur without someone noticing. In layman’s terms, if you walk into your assigned room and things are missing, you would notice immediately and be aware of your responsibilities for reporting items to the administration. Items which are not in constant use require scheduled specific verification or checking to ensure that they are secure. Though we’ve talked about utilizing quarterly inventories to confirm the processing of transfer surplus activity/paperwork, accuracy of new purchases, some discrepancies still occur. All of this was discussed with the Auditor General. We did spend some time with them this summer, and although they had several complaints, we did find everything that they sampled. For example, When an Inventory Control person at the school/department performs an inventory check, if the last time he/she saw an item was 4, 6, 9 months or a year ago, and then he/she just does a police report, the police themselves are going to be looking at them like ‘what are we talking about here.’”

Ms. Greenberg added “Exactly.”

Mr. Magli continued “They (the police) can’t rightly investigate a crime when no one seems to know what’s taken place. In some instances, you’ve seen that we’ve addressed those and systemically, something has to change. If the same thing were to continue to go on and on, in the past, we never had a situation specific to identify a theft, where we took police reports for those things, but they were used in different manners as sort of a reconciliation/clean up, so to speak, for the purposes of audit, but that doesn’t change a material or process weakness that could be strengthened. We started to address those concerns because it has in some cases, progressed. As you’ve seen and the data shows, you know that from where we were a few years to where we are now is a remarkable improvement, but, the fact remains that we’ve also done a lot of clean up. A lot of the issues that were discussed about bad paperwork have been cleared out. The records have been cleared out, now we’re moving forward. There are two things, if they’re doing the things that have been suggested in here and what’s been mandated by the Area Superintendents, by the Executive Leaders, I think this will be almost completely gone, and that’s our hope, especially when you’re talking about the volume of things, when people are going out to violate us and take our things that the students and teachers need to do their job, quantifying the role of that in the savings is a little difficult, but is certainly there.”

Ms. Greenberg stated “I’m happy to see an improvement and I’m glad that everyone is working together. It’s not a punitive thing; you’ve got to work together, especially when you’ve got the kind of fiscal problems we have in this District.”

A motion was made to transmit. Motion carried.

Department of Health & Human Services – Head Start and Early Head Start Program for the Periods from April 26, 2009 to May 1, 2009 and December 6, 2009 to December 9, 2009.

Mr. Reilly stated “The Office of Head Start conducted an on-site monitoring review of the District’s Head Start and Early Head Start Programs and found these programs to be out of compliance with one or more applicable Head Start Program, performance standards, laws, regulations and policy requirements. There were six findings relating to Cash Draw Down

monitoring, Cost Allocation, Teacher/Student Ratio, Socialization Meeting, Case Loan Requirements, and ESE Enrollment Students. A Current Status was performed by the Office of Head Start in December, 2009 and it was found that corrective action was made on all findings.”

A motion was made to transmit. Motion carried.

Ms. Greenberg stated that she had one more request.

Mr. Wolter stated that there were now three items to cover quickly. He stated “You will be receiving an e-mail within the next week or so discussing a potential change in the day and time for our 2010-11 Audit Committee meetings. Please take a minute to look at it and submit feedback. We want to do what’s right for the largest number, obviously, because we need you all here. The second item, Charlotte has requested that we review a short 5-minute video on the discussion of an issue of timeliness and propriety of issuing of audit reports. I’ve agreed that we can show that short video. If you have to run for a meeting or something else, we completely understand and we don’t need a quorum.

Ms. Greenberg stated “Regarding the change orders for LLL High School, this is the largest and most expensive high school we have ever built. I would hope that maybe we can ask the Auditors to take a look to see if we’ve gotten all the money back from it. We’ve never gotten a closure on LLL, maybe I did and don’t remember it. Could you just look at LLL and see if we got all the money back.”

Ms. Fertig asked if Ms. Greenberg was proposing to perform an audit and said, if so, she would second the motion.

Ms. Greenberg answered “I’m not sure if it’s an audit we need, I guess I’ll say it officially should be an audit.”

Mr. Wolter asked “Is the scope you’re requesting of the change orders themselves, or is it broader or narrower?”

Ms. Greenberg replied “No, it’s just to see if we got the money back.”

Mr. Rhodes asked “Are you talking about the contingency amount, owner savings, that kind of thing?”

Ms. Greenberg replied “Yes.”

Mr. Rhodes stated “The information we received today from General Counsel regarding the access that we have to some of these records could have a very wide impact on our ability to perform audits on nearly everything that we’ve done. If you take a look at the dollar total, I’d have to say, just as an estimate, probably 85 to 90% of the volume of work that we’ve done over the last seven years has been either CM at Risk or TPM, which are based on the Guaranteed Maximum Price with fees, pre-negotiated fees. If we are requested by the Audit Committee, I’ll certainly do everything I can to determine any of the contingency amounts and the owner savings. The part that I think is very important, regarding this request; those numbers are based

on primarily cost of work. Most of the savings that we receive back from a CM is when they give us a maximum guaranteed price, which is their estimate, their wager on what the market's going to actually cost to do that work, when it comes in under, those dollars that are leftover in each of those line items become a part of the contingency fund within that guaranteed maximum price." Mr. Wolter said "Can I rephrase your question? By the next meeting, would Internal Audits bring a scope assessment and a recommendation as to whether or not you can complete an audit of the contingency amount?"

Mr. Reilly added "With the contingencies, the issue is with the fees. With the contingencies, there shouldn't be any restrictions; at least we haven't run into that yet."

Mr. Rhodes stated "It still requires that they open their books."

Mr. Reilly stated "I think we have the ability to do that"

Ms. Greenberg said "Let me know the whole story."

Mr. Wolter stated "Update us at the next meeting with your scope, issues and so forth, so we can hear your report and discuss it. So, we have a motion modified, do we have a second?" Motion carried.

Mr. Reilly added "Regarding the video that is going to be shown, it's an excerpt of a School Board meeting on May 4, 2010 where Dr. Parks commented on the distribution and the issuance of the audit reports. I spoke with him; I think he didn't understand some of the things that we've been doing on the release of audit reports in accordance with School Board Policy 1002.1 and he felt that he hadn't received the report in time. I just don't know if it's necessary for you all to see the video."

Mr. Wolter adjourned the meeting and invited anyone who wished to see the video to stay and see it.

Meeting adjourned at 3:00 p.m.