

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

February 2, 2012

Dr. Henry Mack, 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
Ms. Mary Fertig
Ms. Charlotte Greenbarg
Mr. John Herbst, CPA
Mr. Steve Hurst, CFP
Mr. Andrew Medvin, CPA
Ms. Alex Mores
Ms. Mary Lou Ruderman, CPA
Ms. Cynthia Samuel
Mr. Duane Wolter

Staff Present: Mr. Robert W. Runcie, Superintendent of Schools
Mr. Donnie Carter, Chief Operations Officer
Mr. Ben Leong, Chief Financial Officer
Mr. Thomas Lindner, Deputy Superintendent, F&CM
Mr. Jeff Moquin, Chief of Staff
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Ann Conway, Director, Operational Audits (OCA)
Ms. Delores McKinley, Director, Internal Audits (OCA)
Mr. Joe Wright, Facility Audits, OCA
Mr. Mark Magli, Supervisor, Property Audits, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Ms. Danielle Thomas, Internal Auditor, OCA
Ms. Hermine James, Internal Auditor, OCA
Ms. Becky McMahan, Director, Budget
Ms. Sue Rockelman, Director, Instructional Staffing
Ms. Victoria Saldala, ESOL
Ms. Denise Rusnak, ESE
Mr. John Miracola, CTACE
Mr. Chester Tindall, Director, Transportation
Mr. Vince Harrell, Supervisor, Payroll & Budget, Transportation
Ms. Cyrilla Bradley, Transportation Services
Ms. Ruth Masters, Route Planner, Transportation
Ms. Nikki McKenzie, Route Planner, Transportation

Old Business

A motion was made to approve the minutes for the November 17, 2011 Audit Committee meeting. Motion carried.

Current Status Report – Follow-Up Items

Follow Up Item #1 - 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. Pat Reilly stated “At this time, after checking with our legal staff, there is no update for this meeting.”

Follow Up Item #2 – Miscellaneous Discussions – May 5, 2011

Mr. Reilly stated “Regarding this item, the Committee requested an explanation for the seven projects listed on the bottom of the spreadsheet that was presented on November 17, 2011. The Committee asked that staff include change order amounts, what we asked for, what we recovered, what we settled for, and who the attorney was in each case. We provided you with a list of those projects and the requested information regarding the settlement amount, vendor, etc.”

Ms. Charlotte Greenberg stated “I don’t see the names of the attorneys who handled the settlement.”

Mr. Reilly stated “I’ll get that information for you. I know for the most part, it was Mr. Oscar Soto and Tom Cooney. I’ll find out which ones were handled by in-house or cadre attorneys.”

Ms. Greenberg stated “On some of these, I see a very large amount and then a small value received. It makes me wonder if their procedures need to be reformed somewhat, so that we don’t end up having to make settlements with these people, instead of getting the money back that we’re supposed to receive.”

Mr. Reilly said “I agree.”

Ms. Greenberg added “That would be a good idea to find out how that’s changed for future follow ups.”

Mr. Reilly responded “I’ll request that from General Counsel.”

Ms. Mary Fertig added “While they’re doing that follow up, if they could analyze all of the data, who the attorney was, the original amount, how long it takes, when they first decided to pursue it, because those are obviously factors in many of these.”

Mr. Reilly stated “There were a couple of questions regarding who represented the District and who the attorney was on the other side. I said I would research this, but thought you may know some of these answers, Mr. Lindner.”

Mr. Lindner stated “I don’t know off hand. If you had sent me a list beforehand, I could have gathered that information and presented it in conjunction with General Counsel. (This follow up

request was sent to Mr. Lindner on December 8, 2011 from the Office of the Chief Auditor.) Once it goes to General Counsel, we are normally just involved from a deposition standpoint.”

Follow Up Item #3 – Miscellaneous Discussions – October 27, 2011

Mr. Reilly began “The Committee requested procedures regarding when a project has additional scope, whether it should be re-bid as a separate project for the added scope or added as a change order. Mr. Lindner provided some of the things he plans to incorporate in his procedures to determine how we should handle that.”

Ms. Greenberg stated “I think the most important point, and I’m sure you’ll agree with me, Tom (Lindner) is whether the additional work relates to the existing project. That would be the first question I would ask. The first line states ‘Is the additional work required in order to obtain occupancy?’ I’m not sure if they would be in conflict, necessarily.”

Mr. Lindner replied “They weren’t listed in any particular order, they were just listed. This is a draft document, which I was going to vet with the external auditors that Pat and I are working on bringing on board to look at our processes and procedures.”

Ms. Greenberg asked “At one time, we discussed this issue, prior to your becoming Deputy. What does the law say? What amount has to be reached? Is it \$250,000 or \$300,000 before you have to put out another bid?”

Mr. Reilly replied “When we discussed this before, it was \$250,000, but it has escalated and I believe it’s somewhere around \$300,000 right now.”

Ms. Greenberg asked “Could we find out and include that in what we’re trying to put together to give people guidance on what to do? I think that’s paramount.”

Ms. Fertig added “Incorporating all of that, going to point three, would the additional work be more cost effective? I thought there had to be some nexus between the additional work and the current project. My concern would be even if it does not directly relate to the project, but may be more cost effective to allow the contractor on site to do the work. Now we’re possibly getting into other projects. Can you explain Number 3 to me?”

Mr. Lindner replied “An example of that might be while tearing down a roof, we discover that the duct work needs replacement. It may be more cost efficient and effective to hire the contractor on site through a change order, and once we have torn the roof off, to also replace all the existing duct work, particularly if it’s an air conditioning or roofing project. It’s really meant for if you discover something that’s not part of the original scope, you start the project, then discover something that might be, you could possibly bid that out afterwards. It would be more cost efficient to estimate it and put it on a change order for that additional scope of work as part of that same project. That’s the kind of situation we’re looking at.”

Ms. Fertig added “Phrased that way, it makes sense, if it’s something you discover that’s a health or safety issue or a structural issue, it makes a lot of sense, but I know there has to be a way to phrase that.”

Mr. Lindner stated “We’ll look at that, but I think the initial look at this is whether we want to make common sense prevail. We follow the statutes and the intent of the statutes, but we don’t make a policy so restrictive that we can’t do what’s best for the school district. That’s what we were looking at when we crafted those types of contingency courses of action.”

Mr. Duane Wolter asked “Mr. Lindner, did you have an opportunity to go back and apply this new project scope review to any prior decisions to see if there would have been any impact or not?”

Mr. Lindner answered “I think it’s intuitively obvious that it would have made an impact on several of our projects.”

Mr. John Herbst asked “I don’t see a differentiation between unforeseen conditions encountered in the field and owner changes. Do you approach those differently?”

Mr. Lindner replied “There are very specific procedures that cover those. They may be related to this, but I think the change order process is very well defined. If there is an egregious error on the part of the consultant and we’re required to do that work, the consultant gets a say, essentially. We may end up terminating the consultant, for instance. I think we really have to look at what the impact is to the District and then apply some of these measures. That’s a good example when it might be better for us, particularly if it’s a major change order, to pay the contractor to do the work. Essentially, the District gets that work for free, because the architect pays for the overhead and profit, and all we pay for is the betterment. In fact, the responsibility for that error falls upon the consultant, so that’s one of those issues where it may be better for us to do that. It may be better for us to terminate the consultant, as well. I think you have to look at every situation individually. I think most of our change orders are vetted through a committee that looks at what’s best for the District. Is it legally defensible? Does it pass the sniff test? That is why we vet all of our change orders through the Audit Department, a participant in the APG. They’re involved in our process, as well as Legal Counsel.”

Ms. Greenberg asked “On the last one, it strikes me that almost anything could cause operational or logistical hardships to the school or the project, if you had to go out for another RFP. I would carefully word that, because you can justify almost anything causing a hardship.”

Mr. Lindner replied “That’s where the human judgment factor comes in. A good example of that would be if you were doing a project over the summertime and you determined that to put it out to bid, you’d have to do the work either the following summer or in the middle of the school year. This might require the school to vacate a building, or something like that. It may not make sense to put out a bid, when in fact, I could have the contractor on site do it and meet the deadline to occupy the building on August 18th or August 22nd. Those are the types of situations we were looking at, but I think, as long as we operate in a transparent environment, where people look at our decision-making process in depth and we do what we thought was the best for the school District at the best possible price, without trying to enrich anybody, we would stand up to the scrutiny of both external and internal auditors.”

Mr. Herbst asked “Regarding the last line, it states the cost of the added work will exceed 10%. Are you referring to that change order or cumulative change orders to date for that particular project?”

Mr. Lindner responded “I think you’d have to look at each change order individually. We have a target threshold; there will always be change orders. If you start to exceed four or five percent, you really have a bad set of plans, or a really bad consultant, or you have a real poorly written scope of work. The real thing is when we start to hit that 10% threshold, particularly on a large project, let’s say over \$4 million, you’ve really got to look hard at re-bidding that project. I might save a lot of money on something that’s, maybe \$400,000, but I might not save a lot of money; it might cost us more in time and effort. It really does have a value to the District to put a package out; however, for the \$150,000 job, when they have a contractor on site that can do that job for that or very near market rates, that makes sense. That’s one of the things that our estimators and our outside estimators would take a look at, what’s the most cost effective, including the cost of staff to put it back out for bid.”

Mr. Reilly stated “The key thing to alleviate a lot of that is to get your scope correct up front, before you put the bid out, and make sure everything you want to do is there. Sometimes it is beneficial to allow the on-site contractor who’s there to do the work. We’re not doing it now, but when you’ve had a \$2 million project, and the next thing you know, it’s an \$8 million dollar project, because we added a lot of things that were not really related to the actual original scope of services, that’s a concern. That’s what’s been going on the last couple of years. We need to have a procedure in place, a guideline to go by.”

Mr. Lindner added “I think the real issue that drives the decision-making process now is, in respect to that, we’re getting into a position where our needs and desires are much bigger than our budget. We try to fit a larger project into a smaller budget, which requires us to take pieces of the project that are needed or requested, and we take those pieces out. As we’re moving along, there’s pressure to add those pieces back in. I agree with the clearly defined scope of work, in a perfect world. I think it’s necessary to have a threshold, and we can’t do everything, because we only have so much money.”

Dr. Mack stated “Tom, it’s great to clearly define the scope of work, but you must be careful not to over control, over regulate and over specify stuff and remove the human decision-making process out of the mix. You made some good points about the decision-making process and being able to weigh situations. You folks have been regulated and controlled a lot and each meeting I see more controls, and when we get to the point that you’re going to lose that decision-making factor, be sure to let us know, because that’s not our intention.”

Mr. Lindner stated “I have discussions about that all the time.”

Regular Agenda

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

Dr. Mack stated that the Area Superintendents were not in attendance, at the Superintendent’s request.

Mr. Reilly stated “There are twenty-three schools in this audit report; twenty complied with all policies and procedures. There were three schools that had some exceptions related to facility

rentals, cash handling, fundraising and payroll. Overall, the corrective action is being put in place at those schools and all the schools in this package are in pretty good shape.”

Ms. Greenberg asked “Regarding pages 8 through 12, I’m distressed looking at the Classes of ’08, ’09 and ’10. It seems to be like a train that no one can stop. If I’m reading this correctly, it’s the same Principal. What does it take to get this straightened out? I don’t think the Principal understands the seriousness of the situation.”

Mr. Robert Runcie stated “I spoke to the Principal yesterday and I think he does take this very seriously, by putting training and other procedures in place to rectify this. This school has had a history of problems, dating back several years, so they are working through this. We’ll be working with Pat and his team to put some organizational changes in place in the future to prevent these types of issues from happening at the schools.”

Mr. Anthony De Meo asked “These internal funds are not the regular funds that are appropriated by the School Board that are used for everyday operations? How much does this report total, maybe \$100 million dollars?”

Mr. Reilly stated “The high schools normally have more funds than the elementary schools. There are millions of dollars flowing in and out of these schools related to club activities, fundraising, etc.” Note: Subsequent to this meeting, we determined that the cash deposited in these twenty-three schools audited in this report totaled approximately \$25,448,000.

A motion was made to transmit the report. Motion carried.

Internal Audit Report – 2010 State FTE Audit Advisory

Mr. Reilly stated “This is the State of Florida Auditor General’s audit report. The Auditor General performed audits of the 2009 and 2010 fiscal years. They recently audited a sample of schools, centers, Charter Schools and agencies. The audit also included a review of pupil transportation and ridership. We created an executive review of the report, a breakdown which clarifies the information in terms of dollars, as well as FTE information. Basically, the results of the audit show that teacher certification and student documentation findings resulted in negative adjustments for the District. The dollar value is estimated at \$740,000. The pupil transportation area of the audit is still to be determined and their prediction is approximately \$1.4 million. The Auditor General normally visits every three years; however, they were here two consecutive years. That is unusual, so we have to be prepared for them at all times and must ensure that our policies are in place, to prevent the loss of FTE dollars. The 2009 audit reflected negative adjustments of \$5.6 million, but between Ann Conway on our staff and the Legal Department, we reduced the loss substantially, due to a vendor called Alternatives Unlimited, that was causing us a large audit finding, related to attendance sheets. We appealed that and reduced our loss. If you look at page 8, it breaks down the main types of exceptions that occurred. It shows the sample size and exception rate. The key areas were ESE student documentation and one item having to do with the individualized education programs (IEPs). That was a potential issue, because of the way we did not document that the matrix had been reviewed. These exceptions totaled approximately \$375,000.”

Ms. Denise Rusnak commented regarding the hospital and homebound students. “We were using hospital homebound eligibility for students who were being placed in agency programs for

mental health reasons. The definition of hospital/homebound at that time with DOE allowed us to do that, but they have since changed their definition. We now have amended those contracts, but again, as Mr. Reilly said, the auditors came back to back to perform audits, which did not give us a chance to go through a full round of the agency contracts. None of the agency contracts for the coming school year have hospital/homebound as an eligibility.”

Ms. Ann Conway added “You’ve basically solved that problem. I’d also like to point out that they didn’t make any audit adjustments in the audit for this; this was just a warning, so Denise has addressed that.”

Mr. Reilly stated “Again, I believe that page explains where they are. For example, an occasional OJT time card cost us some FTE funding, because there are certain requirements of having documentation available for audit. They are looking for very specific documentation to support the FTE funding in various areas. Another area where we should take corrective action is when student records are sent from one school to another. We should ensure all the correct information is there, because that has been an issue. For example, when a student moves from middle to high school, there seems to be a weakness, where we don’t always have those records. The key points are when they do the FTE surveys in October and February; that’s the timeframe where you must have all your information and data completed. In the transportation side of the audit, page 6 covers the key points of what occurred. The first item shows 850 students were not enrolled in an FEFP instructional program during the school term reported for transportation funding. That’s another area where we need to tighten up controls to ensure there is a reconciliation of what we’re reporting and what we truly have in ridership. That’s funding that we’re going to lose. We need to cover all the requirements relating to the two mile limit. There are key things we need to correct. Again, the finding on the transportation portion has not been finalized, but the estimate is over \$1 million. On page 7, one of the larger issues was the ESE student matrix. If you look at the tables, it’s pretty well broken down as to what the exception was and the dollar value of the weighted FTE that we are losing for the various types of exceptions.”

Ms. Greenberg asked “I’m looking at the conclusions, the exceptions and the teacher certifications, which are a big problem. The IEPs are a big problem. Where was the supervision?”

Ms. Conway replied “That is a big problem. One thing we’ve noted is the staff in the ESE, ESOL and OJT departments has no control over the Principals at the schools; they have no authority over them. The real authority over the Principals at the schools lies with the Area Superintendents. Until the Area Superintendents grasp this problem and bring it to the school level and ensure that Principals pay serious attention to this documentation and to where they are assigning their teachers, I think we’re going to continue to see millions of dollars being lost each time we are audited. I would also like to point out that these auditors didn’t come here two years in a row by mistake.”

Ms. Greenberg replied “Yes, I understand why they did that. There’s a whole department of ESE; they need to learn how to work together to get this done. Something has to happen. I know from personal experience with the ESE advisory that there are personnel in the ESE department, as well as the school level. This is supposed to be a joint function, it seems to me.”

Ms. Rusnak responded “Specifically, regarding the matrix, since that was one of the largest areas, we have put in place, but it won’t be cycled completely through all of the IEPs until May, 2012, a way to correct our matrix issues found by the auditors. This is to put a module into our automated IEP system that links the State matrix handbook and has indicators that tie to the IEP. The IEP is how you get your matrix rating of 251-255, so we’re hoping that match will cut down on the errors. If a student needs consultation three days per week, that information on Easy IEP will tie right to the matrix handbook, which will then give them the point value. There won’t be any error made in counting up the points from matching the IEP to the matrix handbook, because that’s what the auditors found. The ESE specialists, who are looking at the IEP while completing the matrix, if they made that match incorrectly and put the wrong number down, and when the auditor would say ‘wait a minute, you’re claiming funding for five days a week of consultation, but your IEP states three days a week of consultation. We just cycled through this school year of that change.’”

Dr. Mack stated “Ms. Greenberg’s question is very relevant. We’ve been around here for a while and we’ve seen more than just this report. We are doing dumb stuff. We’re not supervising. It looks like we have no control. These items, in our opinion, are small enough, that whoever is in charge should be able to correct those things by now, because you’ve been looking at them since 1998 and we want to see a change. We demand that you change it, not only to correct what’s been done, but put systems in place so that it doesn’t happen again. It’s embarrassing.”

Ms. Rusnak replied “That’s why we’ve put in the check through our electronic management system, so that there is no opportunity for an ESE Specialist to make a mistake. We have now matched the IEP to the matrix.”

Dr. Mack stated “I noticed the memo from Mr. Tindall. He looked at the exceptions for Transportation. He wasn’t happy with them. He is going to look at them more closely. That’s what needs to be done throughout the District.”

Mr. Andrew Medvin stated “It seems to me that this issue is a problem of documentation. It sounds like some of this documentation is getting awfully complicated. From what you’ve indicated, the original documentation, in many instances, is being done at the school level, and then the ESE Department supervises that. It seems like no one is talking to each other, when it comes to this part of it. If you’re using computers, everyone should be on the computer. It looks like everything here is just trying to quantify in very specific areas the situation with the kids and what you’re trying to do and the communication is lacking. It’s a question of supervision, but I think it’s also perhaps a lack of understanding between two big organizations of people.”

Ms. Rusnak replied “You are correct in saying that they were looking at two separate documents. The matrix, a service document, was not automated in our system and starting this fall, (for the 11/12 school year), the matrix document that gets our funding is now linked to the IEP, so they don’t have to look at an electronic document and then go over to a piece of paper. It took us a year to cycle through that, and we’ll be done in May, 2012.”

Mr. Medvin asked “When the individual teacher enters an IEP for a student on the computer, the computer is telling you whether it’s right or wrong. Is that how it works?”

Ms. Rusnak replied “It will now. It didn’t previously. Previously, an ESE Specialist was trained. We give them updates, we monitor, and if there are some irregularities, we’ll go back and train an ESE Specialist. While the auditors were here, they would let us know for each school as the exception came up; we didn’t wait for the final report. We went and re-trained that school right after the auditors left. Previously, yes, they were looking at an IEP that was electronic, transferring that information to a hard copy of the matrix, and then manually adding it up; then it would go into Terms. With this new system we put in place this year, the IEP has always been electronic, the matrix is now electronic, and now we also feed to Terms. Terms and Easy IEP never talked before, and they do now. There’s a daily reconciliation of the information in the IEP System to what’s in Terms.”

Mr. Steve Hurst asked “I’m curious about the definition of the two miles.”

Ms. Conway replied “They put the student’s home address in Google. They use the best walking path to the school. There is funding for students who would have a hazardous walking path, but they don’t consider it hazardous walking, unless the Safety Department has registered the site, the problem, the obstruction, with the Transportation Department in Tallahassee. Then they would call it a hazardous walking path and transport the student with funding. They were observing something that would be hazardous walking for the child, but it had not been registered with the State, so we’re not allowed to claim funding, unless the student lives over two miles from the school.”

Ms. Mary Lou Ruderman asked “How do they get bus service if they do live less than two miles away?”

Ms. Conway asked Mr. Tindall if he would respond to that question.

Mr. Tindall stated “I have put in place a total review of FTE and I have diverted people to do just that. I am micro-managing that process. I can only assure you of one thing. In normal terms, if you look across the nation, it’s straight line distance and no one uses Google. The reason you don’t use that is you have to allow for error. There may be a graveyard in between the paths; there may be a park you don’t want your child to go through. This District, after reviewing this routing system here, is a straight line distance, when, in fact, you just mentioned it should be the clearest, safest walking path distance and we don’t apply that. In fact, I have several grievances on my desk now from concerned parents questioning how we register distances. I’m going to address that and make a recommendation to the Superintendent and to the Board on how we can correct it. People use all kinds of systems now. The specific answer to your question, the two mile distance is a straight line distance application. That’s what I found, and it should be a safe walking path distance. For example, I can live two miles from a school, but it takes me two and a half miles to get there. What we have to do is call ‘time out’ and figure it out. Today I had people come in from Indianapolis, California, people flying in here from Seattle. Monday morning, I have people flying in from Seattle. We have their system to explain everything that we do. I’ve had them here three times. I’m going through a learning process, because this differs with a lot of Districts. I’ve centralized all routing, all of this information into one place. I’ve shut down this whole system until we can figure it out. I am doing an in-depth analysis on your question about distances, routings, but I’m looking at every child, all based on our FTE. I’ve talked with Tallahassee; we have readjusted the numbers reported during the last survey. They’ve given me two weeks to get that data together. I think one of the things you said, supervision, management,

administration; I appreciate the opportunity to correct them. We're going to get it right and I'm committed to do that. It's wrong, what's been going on here. I re-direct the Superintendent, who has authorized me to re-direct our resources. I'm not adding positions. I'm pretty sure you all know I'm getting rid of a lot of people. I think we can re-direct our resources. We have some pretty special resources here to solve this FTE issue. I'm going to talk to you all after this meeting to see how we can audit some things that I've started already. It's a solvable solution. One thing you said a minute ago surprised me. I agree with you. Why can't we communicate? I've stopped my team from saying 'I'm central, I'm south. This is Broward County. I will resolve this FTE issue and it'll be immediately, not next year.'"

Ms. Greenburg stated "On behalf of myself, not only as an Audit Committee member, but as Chair of the Facilities Task Force, I can't thank you enough."

Ms. Fertig added "I'm concerned with the audit findings on the ELL student records. I know this is referred to in dollars, and this might not be as many dollars as something else, but it looks to me to be a fairly significant issue when 36% of those surveyed had an exception. When you look into those exceptions, I think there's a broader issue here. Every student is equally important, and some have a need for greater services. When we don't have updated records, or we have lost records, I think this is a serious area. Thirteen of fifteen schools surveyed were cited for failure to document the timely review and update of ELL plans. That's thirteen of fifteen schools. I'd be curious if we had a 36% rate district-wide, which from the survey, we could. I think that's a significant issue and deserves to be analyzed and resolved."

Mr. Runcie agreed. "There's no excuse for being out of compliance at that level."

Ms. Vicki Saldala stated "You're right. Thirteen out of fifteen schools is a lot; however, when you look at 86 out of 511, it's not that many. It could have been just one at one particular school. I wanted to point out, although we have an ESOL Department, each school identifies an ESOL contact at the school level, who is our one to one person who works with us with the documentation. That position, unfortunately, is a supplemental position that receives little to no monetary compensation for the amount of paperwork that goes with it. We have found through the years that the turnover for ESOL contacts, sometimes in one school, could be three different people in one year. We train them; we have what's called an ESOL contact training quarterly. If anyone new comes on board to the position, we have training for them. In addition, if a school contact calls us stating he/she was just assigned today, we do meet with them one on one. We spend a few hours with them. We go out to the schools and conduct what we call mini audits, on-site reviews. Unfortunately, as Ann shared earlier, we don't have the authority to walk into a school and say 'We're here; we want to audit your paperwork.' We do those per request by the Area Superintendent or by the Director, or sometimes the Principal. We look at all these pieces. We did have FTE audits back to back, which didn't give us a chance to go back and talk to some of the schools. All the ESOL rules at the State level last year were in the midst of being reviewed, so we got caught up with the auditors and a few in-depth conversations between the State, the auditors and us. Because the rules were being reviewed, we were looking at them one way, the auditors were looking at them another way, and we were interpreting them another way. We worked closely with Ann to get the verbiage to make sure that we continue discussing these at the next level, because we are in total disagreement with some of the things the FTE auditors cited us for."

Ms. Fertig stated “My concern is this. If it’s not working, and apparently, it’s not; we just heard from ESE how they’ve come in and realized it wasn’t working, so they put new systems in place that will hopefully improve the tracking. It’s not working; we’ve seen this for several years. Regardless of loose controls, or who’s the boss or whatever, these kids need to have records that can be found and are updated, and that they are receiving the services that they need. I think the 36% rate, even if you’re going to question what the State is saying, I’m going to assume this is still the largest finding of being out of compliance in this report. I think it’s significant and if what’s in place isn’t working to ensure schools are in compliance with Federal laws, then I think we need to change the staff structure so that we have an accountability that results in every child having a record.”

Ms. Saldala stated “One of the things that we are looking into, which no other district in the State has, is that we have an electronic IEP. There is no electronic English language learner student education plan, so we have been looking for a company to work with to develop that in-house. I’m sure Denise can vouch that it takes time to find, structure it, and put it all into place. We do understand and we try to work closely with our ESOL contact, who is our one on one person at the school who is working on this paperwork.”

Dr. Mack asked “Is this your first time speaking to this Committee?”

Ms. Saldala stated “I was here last year as well, but we were not asked any questions.”

Dr. Mack stated “I’d like to give you a bit of orientation. When you minimize the 36%, in this Audit Committee, anything dealing with money that involves any amount over 99 cents is significant. Remember that. We’ve heard all the excuses over the decades. We want to hear what you are going to do. We’re not saying you did a miserable job; we’re just saying it could be done better. If you come back here again, we’re looking for ‘this is the finding and this is what we’re going to do to fix it.’ That’s what we’re looking for. Don’t take it personally.”

Ms. Saldala replied “No, not at all. This is my second FTE audit. The 2008-09 year was my first year as the ESOL Director and 2009 was my first year going through an audit. Ann was very helpful in guiding me on what we needed to do and how we needed to respond. We are very aware and it has been something we’ve been trying to work with. As you said, our biggest mission is trying to get a steady person in the ESOL contact position. We will continue.”

Mr. De Meo asked “What percentage did this negative adjustment of 200 represent of all the FTE’s?”

Ms. Conway replied “It’s a pretty small percent.”

Mr. Reilly added “They’re sampling 20 schools.”

Mr. De Meo added “So, it’s less than one percent, right?”

Ms. Conway replied “Ultimately, the financial penalties are a pretty small piece of our overall financial picture, but in these times, losing a million dollars unnecessarily hurts.”

Mr. De Meo asked “Is this a matter of the design? Are there controls in place? It sounded like there really were no controls to verify that the information recorded was consistent with the

intake documentation. Is this a matter of controls being in place, but not operating effectively, or is it a little of both?”

Mr. Reilly replied “It’s a little of both. I think there are things that need to be done.

Mr. De Meo asked “Is there some person who is not related to that function who checks the input of that information?”

Ms. Conway replied “No.”

Mr. De Meo added “I think this is something the Superintendent would like to consider, maybe reviewing those controls and their effectiveness. Do you sample or test any of these FTE documents during the year?”

Ms. Conway stated “No. We used to do it, before we lost so much staff.”

Mr. Reilly added “One of the comments we made in the conclusion area (of the report) was that it would probably be cost effective to have someone verify compliance with the FTE requirements on a spot check basis, at least at the schools that have had problems.”

Dr. Mack added “I think it’s a lack of supervision. You can have all the controls you want to have, but we don’t have proper supervision here. We’re going to ask the Superintendent to take care of that problem. We’ve seen this over the years, some of these are repeat findings. When I say this is dumb stuff, I mean it’s dumb to allow yourself to be cited for the same thing over and over, when all someone in charge has to do is to ensure that it doesn’t happen again.”

A motion was made to transmit the report. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “There were 37 locations audited; only one location had some exceptions related to missing computers. Overall, there was over \$45 million dollars and over 30,000 items reviewed in this report. There were 89 items of the 37 locations totaling approximately \$150,000 that were unaccounted for items.”

Ms. Greenbarg stated “When we first started this in 1998, we had stacks and stacks of problems with missing items. Over the years, Mark (Magli) has created a template, almost single-handedly, to show people how to do this. I’d like to give Mark the proper recognition for doing so much over the years to improve this area.”

Mr. Magli stated “I think my office has done a lot of work. It took a while for some people to understand where we were coming from and get rid of some pre-conceived notions about what we were trying to accomplish. I think we’re doing a much better job. We’re not all the way there and we’ll always have little issues. Right now, we’re still working on those newfound items that are out at the schools; trying to get them recorded properly. I am thankful for your comments, but I am certainly not alone in this task. There are many hardworking people in my office, as well as out at the schools and locations.”

A motion was made to transmit the report. Motion carried.

Internal Audit Report – Current Status Update of the Facilities & Construction Management Division’s Bidding and Bid Opening Process

Mr. Reilly stated “We performed an audit of the bidding and bid opening process in June, 2011, as recommended in the Grand Jury Report. Over the last six months, we’ve attended bid openings, and we’ve looked at ways we think could improve the processes of the Facilities & Construction Department. We’ve made a lot of changes and F&CM is putting out a new RFP for the company that helped us with Bid Document Fulfillment & Printing Services regarding the information a contractor or an architect would need. The original audit had seven findings with eleven recommendations; basically all of them have been corrected or completed. There are a couple of our recommendations where an alternative corrective action was used, rather than what we recommended. One thing we discussed was when a bidder doesn’t have the bonding capacity to bid on a project. For example, if the project is \$20 million, and the bidder only has the bonding capacity of \$15 million, would you want to open that bid, even though that proposer doesn’t meet our bidding requirements? As the bids come in, management has chosen to decide on a case by case basis whether or not to open those bids. We think it would be good to have a procedure where you could look at a percentage. The issue we discussed is that someone might be a little under (the bonding capacity), but when the bid comes in, they do meet the requirement, and there would have been a significant savings if you had allowed them to have submitted their bid and they were close to the bonding capacity. That’s something to consider, but management wants to handle it on a case by case basis, rather than have a threshold, if it’s within 10%, for example. Another issue was management’s choice to combine the Invitation to Bid (ITB) and the Advertisement to Bid (ATB). We feel they should be two separate items; the Advertisement to Bid is more of an advertisement, whereas the Invitation to Bid contains much more information, as far as all the general conditions and all the requirements needed. I think our experienced contractors know how to get all that, but someone new may not have the knowledge to obtain that Invitation to Bid to have the same length of review time on a bid. It’s an item that SREF requires. In the past, they put out the ITB and ATB separately. Other than that, I think we’ve made some recommendations that management has implemented. Another interesting item relating to the bid opening process is that at one time, the bids would be opened; the names and the bid amounts would be announced. Now, when they have a bid opening, only the bidders’ names are announced. I don’t think this is as transparent of a method, but the law changed on July 1, 2011 stating that the bid amounts will not be announced at the bid openings, and there is a wait time of 30 days for that information. Again, that’s the law, that’s what changed, but I think we’ve lost a little transparency with the new process.”

Dr. Mack stated “It seems to me that any document announcing a bid should contain the same information.”

Mr. Lindner replied “Because we’ve cut staff so much, we essentially combined two steps into one. I do agree with Pat, that ideally, in a perfect world, with twice as many people as we had before, it was simpler to put out in a blast email all the information to a number of people stating that this is on its way, but we’re in a completely different operating environment now. We’re trying to look at our processes, make sure we meet the requirements of the statutes and policies and get as much done with as few people as possible.”

Ms. Greenberg stated “I’m looking at page 13; it looks like there are two things being sent out; the blast email and the DemandStar website. Maybe I’m reading this wrong.”

Mr. Reilly replied “Those are two vehicles. The DemandStar website, either you belong to it or you don’t. That’s a service that we provide. The other way, in house, we’re sending out an email to everybody who is pre-qualified.”

Mr. Lindner added “The problem with DemandStar is that it could be restrictive, because, the smaller companies, to their own detriment, aren’t on DemandStar until they absolutely have to be. It’s not that expensive; I think about \$50 per year.”

Ms. Greenberg asked “Regarding page 11, did you ever get that legal opinion about this single bid issue?”

Mr. Lindner responded “We’re awaiting that opinion and should have it within a couple of days. We have some bids out right now where we only had one bidder. This restricts our ability. We actually agreed to put it out one more time. We have a limited pool of pre-qualified bidders that want to do the work, and as long as we satisfy the requirement of notifying everyone, we end up doing business with that contractor anyway.”

Dr. Mack asked “Are you getting better cooperation from the Legal Department now, in terms of decisions?”

Mr. Lindner answered “Yes, Sir. We don’t really have any significant delays. We have pretty much real-time turn-around with the day to day items with Mr. Cooney. He participates in a lot of our processes and in a lot of our meetings. He spends two to three days a week in my office closing out projects and trying to mediate some contentious issues.”

A motion was made to transmit the report. Motion carried.

Internal Audit Report – Audit of the Family Counseling Behavioral Health Program Grant for the Period Ended September 30, 2011

Mr. Reilly began “This is an audit review we perform each year, as required as part of the agreement with Broward County. We basically match funds and audit expenditures. We provide a statement on the amounts that were expended in this grant. This is a family counseling grant for group counseling for assisting students in several locations throughout the District. We’ve had this grant for many years. There were no exceptions. We verified what was received from each participant, the District and Broward County.”

A motion was made to transmit the report. Motion carried.

Annual Audits of Charter Schools for the Fiscal Year Ended June 30, 2011

Mr. Reilly stated “This item is for Mavericks High School. We received this school’s annual financial audit for June 30, 2011. The school had a deficit fund balance, which fell under Section 218 Florida Statutes, which required a financial recovery plan. We have met with them and they are in the process of completing their recovery plan. We still have a couple of open items before it can be finalized. This is the last of the Charter schools that had any kind of financial recovery plan requirement. There were six out of the sixty-eight Charter Schools. Also, this audit report is available on-line.”

Mr. Medvin asked “Do we, as a District have any liability or exposure for a school like this that has such a deficit?”

Mr. Reilly replied “They have to continue to make progress to cure their financial deficit. We have to comply in assisting and monitoring them.”

Mr. Medvin asked “If, for example, a Charter school doesn’t have money to feed their kids this week, can they come to the District and ask for an emergency check?”

Mr. Reilly responded “There have been cases where Food Service and Transportation Departments have not stopped delivery, and we’ve had some Charter schools that have had monies due to the District. There is a point in time where the District can garnish the FTE funds if these debts are not paid each month.”

Mr. Medvin added “My concern is if this is not the only school in this situation, who would be stuck holding the bag?”

Mr. Reilly replied “If a Charter school closes, we are not responsible for their liabilities.”

Mr. Wolter asked “Where is this school located, how long has it been around and who runs it?”

Mr. Reilly answered “This school, I believe, is on Sunrise Blvd; I think it’s been around for two years. I’m not sure of the management company who runs the school, but I can get that information for you.”

Mr. Wolter asked “Would they provide the incremental funding?”

Mr. Reilly replied “Often, they do. They usually are charging a management fee, and then they hold off on collecting the management fee to assist the school.”

Ms. Alex Mores asked “This is the second report where we’ve seen a deficit in the last six months, is that true?”

Mr. Reilly replied “No, we have presented six Charters in this situation.”

Ms. Mores asked “Is there any way to identify these schools that may be having financial issues?”

Mr. Reilly responded “We’re dealing with a couple right now where we have to go out and monitor the situation. In the previous year, there were seventeen schools that had deficit fund balances and other issues. A lot of them have cleared these situations. For a couple of these schools, their contracts are coming up for renewal, so they’re taking a look at that to see what will be done. We’re in the position of being a sponsor, basically. The FTE dollars flow through us to them, but they’re considered our students. For example, if they are supposed to have an ESE teacher at the school, do they have one? If not, the District’s ESE Department gets involved to see if that’s needed. The Safety Department, Transportation, Food Service, the Budget Departments are all involved. If enrollments are not in line with what’s really there, adjustments sometimes need to be made. The District is mandated to assist and monitor these schools, but they really have their own Board of Directors and administration to run these schools.”

Mr. Hurst asked “They do get the going concern letter if they fail for two years, don’t they?”

Mr. Reilly stated “Yes, they do. That’s one of the requirements that they have to have an external audit firm perform their annual audits. They are the first ones to report if they fail to meet Section 218, so that triggers a lot of things that they have to do after that.”

Ms. Ruderman added “I have looked up Mr. Wolter’s questions. The school is a division of New Alternative Education High School, Inc. and began in July 2010.”

Other Discussions

RFP for External Auditing Services

Mr. Reilly stated “The RFP was approved by the School Board on January 18, 2012 and was released on January 19, 2012. The review of the proposals will be on February 28, 2012, and March 1st is the date for the firms to present their proposals. From that point, we will make the decision.”

Ms. Greenberg asked “Who are the Audit Committee members you are referring to?”

Mr. Reilly replied “Yourself, Dr. Mack, Ms. Samuel and Mr. Medvin.”

Dr. Mack asked the Committee not to speak to any potential bidders.

Meeting adjourned at 2:05 p.m.