

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

**SUBJECT: AUDIT OF SELECTED FINANCIAL, REAL ESTATE AND
OPERATIONAL TRANSACTIONS AND CONTRACTUAL
ARRANGEMENTS: KEYS GATE CHARTER HIGH SCHOOL**

COMMITTEE: FISCAL ACCOUNTABILITY

**LINK TO STRATEGIC
BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

The subject audit was discussed at the September 29, 2015, School Board Audit and Budget Advisory Committee (ABAC) meeting. The ABAC voted to transmit the audit report to the School Board.

The main objective of the audit was to gain an understanding of complex financing and real estate transactions for which the School's expenditures are used and communicate said to the ABAC and District Administration, in accordance with the Sponsor's statutory oversight responsibilities.

The structure of financing and facility ownership/leasing described in the report, or variations of it, appears to be approaching a commonplace status as a mechanism to acquire charter school facilities throughout Florida.

The audit report explains, describes and illuminates these financing and real estate arrangements, and delineates the use of the School's \$23.5 million tax-exempt bond issuance/loan proceeds.

The audit report contains six findings and 10 corresponding recommendations, ranging in subject from the lease agreement between the developer/facility owner and the School, to the provision of Incremental Rent, to ground lease payments that were incorrectly made using the School's funds.

One issue extensively discussed at the aforementioned ABAC meeting was that the recipient of \$500,000 from the School's bond proceeds and nature of the expenditures are unknown. According to the School's administration, due to a confidential settlement agreement between the developer and an undisclosed party, such information cannot be publicly disclosed. The audit, therefore, could not confirm that such expenditures were incurred for the intended purposes of the bond proceeds. For the same reason, the School Board Attorney's Office is not able to opine on the legality of said expenditures, at this time.

Copies of this report were distributed and placed on file in the Office of the Recording Secretary to the School Board and in the Citizen Information Center. Additional copies will be provided upon request.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, receive and file the Audit of Selected Financial, Real Estate and Operational Transactions and Contractual Arrangements: Keys Gate Charter High School.