

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

May 10, 2018

Mr. Moses Barnes, Audit Committee 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 Staff were introduced.

Members Present:

Mr. Moses Barnes
Mr. Robert Mayersohn
Mr. Brendan Aloysius Barry, Esq
Mr. Anthony De Meo, CPA
Mr. Kirk Frohme, CPA
Mr. John Herbst, CPA
Mr. Andrew R. Medvin, CPA
Ms. Phyllis Shaw
Mr. Daniel Traeger

Staff Present:

Mr. Jeff Moquin, Chief of Staff
Ms. Tracy Clark, Chief Public Information Officer, PIO
Ms. Mary Coker, Director, Procurement & Warehousing Services
Dr. Valerie Wanza, Chief Officer, Office of School Performance and Accountability
Ms. Christy de Zayas-Fernandez, Principal, Eagle Point Elementary School
Mr. Keith Peters, Principal, Gator Run Elementary School
Mr. Idman Jeannelus, Micro-Computer Tech Specialist, Gator Run Elementary School
Ms. Sandra Shipman, Director, Office of School Performance and Accountability
Ms. Carol Purrier, Grant Specialist, Title I
Ms. Annette Torry, Program Specialist, Title I
Ms. Luwando Wright-Hines, Director, Title I
Ms. Ali Arcese, Manager, Property and Inventory Audits, Office of the Chief Auditor (OCA)
Ms. Ann Conway, Task-Assigned Chief Auditor, OCA
Ms. Meredith Filcman, Manager, Operational Audits, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Mr. Jonathan Tolentino, Confidential Clerk Specialist C, OCA

Guests Present:

Ms. Tanya Davis, S. Davis & Associates, P.A.
Mr. Rob Broline, Carr, Riggs & Ingram

Mr. Moses Barnes, Audit Committee Chair, opened the meeting by requesting a moment of silence in memory of Dr. Henry Mack.

Mr. Barnes reminded the Audit Committee members to individually complete and turn in the *Conflict of Interest Form for School Board Advisory Committees*.

A motion was made and seconded to approve the Agenda for the current meeting. Motion carried.

Old Business

Minutes

Mr. Barnes made a request for any additions or corrections to the Minutes of the February 1, 2018 Audit Committee Meeting. No amendments were proposed. A motion was made and seconded to approve the Minutes of the February 1, 2018 Audit Committee meeting. Motion carried.

New Business

Report of Carr, Riggs & Ingram – The School Board of Broward County, Florida Operational Assessment of Broward Education Communications Network (BECON)

Mr. Broline stated that Carr, Riggs & Ingram was engaged October 30, 2017 and did most of the review work by early February 2018. He began by drawing attention to the transmittal letter on page 1 and the observations listed in the Executive Summary on page 2.

Mr. Broline stated that Management provided the background information. He then discussed the fiscal charts on pages 5, 6, and 7. Page 5 shows the costs paid from the District's general fund 1000 for fiscal years 2015, 2016, and 2017. Page 6 shows the revenues, expenditures, net loss, and ending fund balances for fund 1020 across fiscal years 2015, 2016, and 2017.

Ms. Shaw asked whether there is a required minimum fund balance for Fund 1020.

Ms. Clark stated that there is no established fund balance for Fund 1020.

Ms. Clark stated that BECON stopped charging schools for services in fiscal year 2013-2014.

Mr. Broline explained that on page 6, the chart illustrates that in 2015, Fund 1020 revenues were \$179,968 and expenditures were \$440,065, resulting in a net loss of \$260,097 and an ending fund balance of \$587,130, which rolled forward into fiscal year 2016.

Mr. Broline stated that these figures were not audited as part of this consulting review.

Mr. Frohme asked what factors caused the decline in Fund 1020 revenues across fiscal years 2015, 2016, and 2017.

Ms. Clark answered that the management decision to stop charging schools and departments for BECON's work product is the biggest driver of the drop in fund 1020 revenues. Additionally, the fund balance has decreased because certain staff salaries and some operating costs are charged against Fund 1020.

Mr. Frohme observed the connection between the high priority observations listed on page 2 and the drop in the Fund 1020 fund balance shown on page 6.

Mr. Broline moved to page 7 and elaborated on the BECON account maintained by the Broward Education Foundation.

Mr. Medvin inquired whether CRI was engaged to perform auditors' agreed-upon procedures, or as consultants.

Mr. Broline replied that it was a consulting engagement.

Mr. DeMeo asked whether any of the \$80 million in revenues derived from the lease of the two EBS broadcast frequencies benefit BECON.

Ms. Clark stated she annually requests lease revenue funds to cover the salaries of some of the BECON staff members.

Mr. DeMeo asked whether there is a statutory requirement that BECON receive part of the lease revenues, or whether it is discretionary on the part of the School Board.

Ms. Clark stated that Miami-Dade Public Schools leased some of their excess capacity to Clearwire several years ago. When Clearwire approached Broward Schools, their offer was substantially lower than what they agreed to pay Miami-Dade, so there was a determination made not to enter into an agreement with them at that time. Then, when the Superintendent requested that BECON become more self-supporting, BECON engaged an outside consultant with expertise in this industry, and was able to successfully lease out the excess capacity. The lease revenue has allowed BECON to continue providing services.

Mr. Moquin added that there is no statutory requirement that the proceeds go directly back to support BECON's operations.

Mr. Broline added that this lease revenue stream to the District is only possible because of BECON.

Ms. Clark stated that in prior years, when BECON charged schools and departments for services, BECON relied heavily on fund 1020 revenues, but at this point the business model is different. She said that the revenue from the EBS lease goes into a District account but may be allocated as needed to keep BECON operating.

Mr. Broline addressed the first observation concerning revenue and funding sources. He stated that fund 1020 revenues currently consist of charges to schools and departments for materials,

supplies, and equipment needed for repairs, but labor costs are not charged. Fund 1020 is expected to be fully depleted by the end of this year. He stated that there are revenue opportunities in tower space leasing, video and programs produced for outside customers, airtime, and use of the studio. Monies generated by the FCC repack arrangement may be used to replace and upgrade equipment.

Ms. Clark clarified that the equipment that would be replaced and upgraded would be tower equipment, not BECON studio equipment.

Mr. Broline stated that BECON management could explore the possibility of raising revenues by becoming a PBS affiliate or by joining the Digital Convergence Alliance, which would have the potential to increase the audience and create name recognition.

Mr. Barnes requested that Mr. Broline begin taking questions from the Audit Committee members rather than continuing to present the content of the report.

Mr. Frohme stated that there should be a follow-up review to assess management's actions following this report.

Mr. Mayersohn asked about TV production by other school districts.

Mr. Broline replied that only Miami-Dade and Broward Schools have TV stations, but other school districts without TV stations may stream their School Board meetings on the web or do limited video production.

Ms. Clark stated that BECON has agreements with outside agencies that use some prepackaged BECON programming.

Mr. Herbst asked whether the consulting engagement included assessment of: the effectiveness of the program as a whole; whether the intent of the program is being met; whether BECON is an effective operation; and whether BECON is an appropriate use of District funds.

Mr. Broline replied that the scope of the consulting engagement did not include those assessments.

Mr. Barry observed that a cost-benefit analysis of the 1,500 service calls and 1,800 preventive maintenance checks noted on page 3 might be in order.

Mr. Mayersohn commended BECON and the District for providing Closed Captioning.

Mr. Moquin stated that there will be a follow-up review of management's implementation of the recommendations.

Mr. Barnes asked for a motion to transmit the consultant's report to the School Board. Motion made and seconded. Motion carried.

Mr. Broline expressed his appreciation for the cooperation and transparency of the BECON team.

Audits of the Internal Funds of Selected Schools

Mr. Barnes directed the Committee’s attention to the Internal Audit Report – Audit of the Internal Funds of Selected Schools.

Ms. Conway stated that this was a report on the Internal Funds audits of 14 schools, of which 13 schools received no audit exceptions. One school, Blanche Ely High, received two audit exceptions caused by deteriorating financial conditions requiring Dr. Wanza’s and Mr. Strauss’ attention.

Dr. Wanza explained that the Internal Funds of some High Schools have been adversely impacted by the loss of vending machine revenues. She stated that in the current school year, with School Board approval, \$800,000 was placed in the operating budget of the Office of School Performance and Accountability to assist High Schools. Blanche Ely received \$14,000 as a budget transfer to assist with athletics and school activities.

Dr. Wanza stated that Blanche Ely High had also received assistance with restructuring their Yearbook order, to mitigate the cost of the Yearbook.

Mr. Medvin asked about the allocation of the \$800,000.

Dr. Wanza stated that the additional funds were placed in the High Schools’ budgets to be spent by the Principals as necessary.

Mr. Frohme requested that the next audit of Blanche Ely High be done promptly.

Mr. Mayersohn requested follow-up about the negative balance in the Yearbook account on a quarterly basis. Dr. Wanza agreed to provide follow-up information to the Office of the Chief Auditor.

Mr. Barry observed that money was being taken away from some students in order to benefit other students. He asked whether the Principal would be held accountable.

Dr. Wanza replied that repetitive behavior could be addressed in the employee’s evaluation and then, if necessary, by using progressive discipline.

Mr. Barnes requested a motion to vote on transmitting the audit report to the School Board. Motion made and seconded. Motion carried.

Internal Audit Report – Property and Inventory of Selected Locations

Ms. Arcese introduced the Property and Inventory report on the audits of 18 schools and said that nine of the schools complied with policies and procedures, while the remaining nine schools received audit exceptions related to unaccounted-for property and failure to follow prescribed procedures. Some issues concerned surplusings and removal of equipment. Ms. Arcese explained that in an effort to address these issues, the Office of the Chief Auditor recommended participation in training for additional departments that are involved in the inventory process.

Dr. Wanza stated that previously, tools were available to assist Principals in managing their physical assets more efficiently, however, changes to the central office removed those tools. She stated that quarterly meetings are being held, including the participation of the Procurement, Capital Assets, Budget, and Information and Technology departments. Issues being reviewed at the quarterly meetings include restoring the tools previously used by Principals, and refining the District processes so that schools and departments can be in compliance with Business Practice Bulletin O-100.

Mr. Mayersohn referred to the requirement in Business Practice Bulletin O-100 that schools conduct semi-annual inventories and requested that documentation of semi-annual inventories be included in audit reports containing exceptions. Dr. Wanza agreed that the form documenting the semi-annual inventory will be added to the audit report, or to the response to the audit exception.

Mr. Traeger stated that the policies and procedures could be changed to make the process easier for Principals. He stated that the tools Dr. Wanza mentioned should be given back to the Principals.

Mr. Traeger stated that some assets are outdated and no longer useful and it is not reasonable to expect that administrators and staff devote limited resources to keeping track of such items. He expressed his opinion that clerical errors in property documentation should not weigh negatively upon Principals' job evaluations.

Mr. Traeger expressed his concern that staff turnover can have a negative effect on a school's asset tracking.

Mr. Herbst replied "You could come back with a recommendation for a change in the policy so there's a balance between control and burdening someone."

Mr. Herbst stated that the District should update policies if they don't add value. If the policies and procedures are overly burdensome and the cost exceeds the benefits, policies and procedures should be improved to add value to the system as a whole.

Ms. Shaw stated that an automated asset tracking system is needed for efficiency and accuracy.

Ms. Coker stated "Thank you for your comment. I totally agree with your comment. My department, with Dr. Wanza and some key Principals, created a task force. We are in the process of revamping the process that exists. The Warehouse and B-stock area must take control, and be accountable for what they pick up. There needs to be a seamless flow, but we don't have that work flow right now. It's manual and we are looking at updating those processes as well as possibly automating some of these things. It's the 21st century, and we should have some of those tools to eliminate some of those man-made errors. I will take your advice and I agree that the process needs to be improved and we will improve it together."

Mr. Barnes requested a motion to vote on transmitting the audit report to the School Board. Motion made and seconded. Motion carried.

Other Discussions

Mr. Barnes stated, “Moving on to the resolution of the Florida Auditor General’s Title I Grant audit finding, Dr. Walsh asked that we have a discussion on the original report that was presented on how the funds were being distributed. The audit report gave the impression that some of the schools in need were getting less money than some of the relatively more affluent schools. The money is strictly designed for improving the academic achievements of the disadvantaged schools. The Title I department made the correction, sent it to Tallahassee, and got the response back. Ms. Hines is here to give us the final report on it.”

Ms. Wright-Hines stated, “We reconciled as you will see, and have been through two independent audits. Confirming what Mr. Barnes stated, the district was to enter the information as it was being spent noting actual salaries however, our district budgets are on average salaries. It gave the appearance that schools were under-funded. Many of our Title I schools that were identified looked as if they were not receiving their money because the teachers’ salaries are much lower than some of the schools in the western area. When it was entered in SAP it gave that appearance so the district has remedied that situation. It does not look the same as how it was noted in the past. I’m pleased to say the issue has been corrected.”

Mr. Barnes made a request for questions, but none were brought forward.

Mr. Barnes asked about the Procurement response added to the Property and Inventory audit report today. Ms. Arcese responded that the Procurement response to Miramar High School’s finding number 3 was just received.

Mr. Barnes commented on the scope and responsibilities of the Audit Committee. He stated that the Audit Committee is not regulatory or supervisory. He advised, “We can make recommendations, but it’s not our responsibility to try to implement, or make any kind of administrative decision.”

Mr. Barnes requested a motion to adjourn. Motion made and seconded. Motion carried.

Meeting Adjourned 2:00 p.m.