

CHIEF AUDITOR'S REPORT

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Chief Auditor
Office of the Chief Auditor
November 15, 2018

The Office of the Chief Auditor
Summary of Activities Since the Prior October 11, 2018 Audit Committee Meeting

Documented below is a summary of significant activities performed by the Office of the Chief Auditor (OCA) since the last Audit Committee meeting on October 11, 2018.

GENERAL ACTIVITIES

1. OCA Operational Audit Manager Meredith Filcman attended the Strategic Plan meeting on October 11, 2018.
2. The Chief Auditor presented an “Assessment of Responsibilities and Headcount” analysis to the School Board members at the October 30, 2018 School Board Workshop.
3. The Chief Auditor presented the Internal Funds and the Property and Inventory audit reports at the School Board Operating Meeting on November 7, 2018. These reports were previously approved by the Committee at its October 11, 2018 meeting.
4. The Chief Auditor concluded the hiring process for the Facilities Audit Manager. Mr. Gerardo Usallan, one of the OCA’s Operational Audit Managers, was selected. His appointment was later approved by the School Board at their School Board Operational Meeting on November 7, 2018.

Mr. Usallan is currently working on the Purchasing Card audit and will complete that project before commencing the risk assessment for future Facility Audits.

Mr. Usallan’s headcount will now be converted to an Information Technology Audit Manager.

5. OCA Property & Inventory Audit Manager Ms. Ali Arcese concluded the recruiting process for the hiring of two Inventory Audit Specialists. The Chief Auditor then met the finalists and approved Ms. Arcese’s recommendations. The Chief Auditor later presented the decision to the Cabinet and obtained their approval. The OCA and the Human Resources Department are now in the last stage of the hiring process.
6. The Chief Auditor attended various other School Board meetings and workshops and monitored agenda items for issues where audit coverage may be needed.
7. OCA team members coordinated the current November 15, 2018 School Board Audit Committee meeting.
8. The Chief Auditor participated in the Superintendent's weekly Cabinet meetings.

FACILITY AUDITS

1. The Chief Auditor met with representatives of CBRE HEERY and Atkins on October 19, 2018 regarding a new process for e-Signatures on invoices.
2. OCA Operational Manager Mr. Gerardo Usallan (now the incoming Facility Audit Manager) attended the Facilities Task Force meeting on November 1, 2018.

3. The Chief Auditor met and communicated several times with Chief Facilities Officer Mr. Leo Bobadilla and Chief Strategy and Operations Officer Mr. Maurice Woods to discuss the past issues from the Asphalt and Termite audits. The Chief Auditor and incoming OCA Operational Audit Manager Mr. Gerardo Usallan (now OCA Facility Audit Manager) then finished our follow up testing and concluded on the current status of the past Asphalt and Termite audits. The Chief Auditor will discuss our conclusions with the Committee at its November 15, 2018 meeting.

INTERNAL FUND AUDITS

1. OCA Internal Funds Manager Ms. Ann Conway performed audits of the Internal Funds of 40 schools and centers. These audits are part of the Committee's November 15, 2018 agenda.
2. The engagement with S. Davis and Company to perform Internal Funds audits on certain schools commenced on October 22, 2018. Several meetings were held with the firm's personnel to discuss the Chief Auditor's expectations and the project's milestones. This engagement is necessary for the OCA to meet the Auditor General's requirements for the timely completion of Internal Funds audits.

PROPERTY AND INVENTORY AUDITS

1. OCA Property & Inventory Manager Ms. Ali Arcese performed Property and Inventory Audits of 9 locations. These audits are part of the Committee's November 15, 2018 agenda.
2. The Chief Auditor attended the kickoff meeting for the Inventory Process Improvement Project on November 2, 2018 with other Cabinet members. As proposed to the School Board members at their October 30, 2018 Workshop during the Chief Auditor's "Assessment of Responsibilities and Headcount" analysis, the District's Property and Inventory process should and would be reviewed to assess the effectiveness of controls and procedures.
3. Executive Director of the Office of Strategic Initiative Management Dr. Deborah Posner met with the Chief Auditor and Property and Inventory Audit Manager Ms. Ali Arcese on November 9, 2018 to further discuss the Property and Inventory Audits and issues for the Inventory Process Improvement initiative.

OPERATIONAL AUDITS

1. OCA Operational Audit Manager Mr. Gerardo Usallan (now the incoming Facility Audit Manager) continued working on the audit of District's Purchasing Cards.
2. OCA Operational Audit Manager Ms. Meredith Filcman continued working on the details and strategy for the OCA's eventual audit of the District's Student Code of Conduct and compliance with school disciplinary policies. Fieldwork is currently in process, as 4 schools were selected and visited on November 8, 2018 to review the quality of their student discipline documentation.
3. OCA Audit Manager Ms. Meredith Filcman attended the District Recovery Team meetings on October 19, 2018 and November 7, 2018.

4. The Chief Auditor attended various meetings with other Cabinet members on the Payroll Process Improvement Project. As discussed at various District meetings, this initiative is a key review of the District's payroll and pay practices to assess the effectiveness of controls and procedures.

CHARTER SCHOOLS AUDIT WORK

1. The Chief Auditor and OCA Audit Manager Mr. Reynaldo Tunnermann met with the Chief of Portfolio Services Ms. Leslie Brown and former Director of Charter Schools Ms. Jodi Perry on October 12, 2018 to discuss a revised strategy for auditing Charter Schools after the hire of an additional Charter School auditor.
2. OCA Charter Schools Audit Manager Mr. Reynaldo Tunnermann concluded the annual review of Charter School financial statements to determine if there were adequate standards of fiscal management, as required by the terms of the Charter Schools' agreements, Florida Statutes, and Florida Administrative Code.
3. The OCA issued letters to fourteen (14) schools as a result of concerns noted on their financial statements. The OCA participated with other members of the Superintendent's Charter School Financial Committee when eight (8) of those schools were required to send representatives on October 31, 2018 to respond to those concerns.

WORK WITH REGULATORS/OTHER AUDITORS

1. The OCA facilitated and coordinated space, location, and administrative matters related to the annual audit being performed by Moore, Stephens, Lovelace, P.A. and S. Davis and Company. A draft CAFR is on the Agenda for the November 15, 2018 Audit Committee Meeting.
2. The Chief Auditor and Chief Financial Officer Ms. Judith Marte attended the pre-exit meeting for the Auditor General's Operational Audit on November 2, 2018. A report is expected from the Auditor General in the upcoming weeks. After the report is issued, the Chief Auditor will compile the consolidated District-wide response.

GENERAL/ADMINISTRATIVE FOLLOW UP

- **Overall Follow-Up Process**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked by several Committee members about follow up.

Status (10/11/18): The Chief Auditor is still in the process of setting up an overall ongoing follow-up process for audit report and general issues and comments from the Committee members (and the School Board members). This new Chief Auditor's Report will try to capture the various points raised by Committee members and how they stand. The agenda for the October 11, 2018 Committee meeting has two follow-up discussion items for the Termite and Asphalt audits. However, a more robust process that will inventory the issues and analyze historical findings and trends as well as Board comments is also envisioned. The OCA will continue to monitor follow up as done for the October 11, 2018 Committee

meeting but will strategize on a more comprehensive process. **Status (11/15/18):** The Chief Auditor is still in the process of determining the ideal follow-up protocols for the OCA. This Chief Auditor's Report will continue to include this follow-up item until the Chief Auditor has finalized the process and this matter is resolved.

- **Risk Assessment**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked about his Risk Assessment process.

Status (10/11/18): A risk assessment process will be used for the compilation of the next fiscal audit plan. It will involve the use of quantified data from the general ledger and various systems as well as qualitative information from key personnel to derive a list of audit-eligible subjects that will then be ranked and compared with the Office of the Chief Auditor's capacity/headcount to yield the final audit plan. **Status (11/15/18):** The Chief Auditor is still in the process of determining the OCA's risk assessment process. This Chief Auditor's Report will continue to include this follow-up item until the Chief Auditor has finalized the risk assessment process and this matter is resolved.

- **Headcount Assessment**

Background: At the August 9, 2018 Audit Committee meeting, the Committee passed a motion to communicate to the Board, via the minutes and the Audit Chair Report, the need to review the headcount of the OCA.

Status (10/11/18): The Chief Auditor met with Superintendent Mr. Robert Runcie on this issue. The Chief Auditor then worked with Chief Financial Officer Ms. Judith Marte on part of this issue. Ms. Marte presented a budget that included funding for outsourced consultants to augment OCA staffing with the backlog of Internal Funds audits. The Chief Auditor is now in the process of preparing a presentation for an upcoming School Board Workshop on the OCA's headcount against our audit requirements and expectations. **Status (11/15/18):** As previously noted, the Chief Auditor presented an "Assessment of Responsibilities and Headcount" analysis to the School Board members. The proposals for the OCA will proceed in accordance with District protocols for obtaining the budget for the additional headcount as well as the hiring and job description modification policies and procedures. The Chief Auditor anticipates that all aspects of the proposals will occur over several months. This Chief Auditor's Report will continue to include this follow-up item until the hiring process is complete.

- **Internal Funds Audit Strategy**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked about his strategy to complete the Internal Funds audits timely given the OCA's headcount.

Status (10/11/18): The Chief Auditor met with Superintendent Mr. Robert Runcie on this issue. The Chief Auditor worked with the Chief Financial Officer Ms. Judith Marte to obtain budget for outsourced consultants to augment OCA staffing with the backlog of Internal Funds audits. The Chief Auditor is now in the process of preparing a presentation at an upcoming School Board Workshop on the OCA's headcount against our Internal Funds audit requirements. **Status (11/15/18):** As previously noted, the OCA is currently

working with S. Davis and Company on a strategy to catch up on Internal Funds audits. This Chief Auditor's Report will continue to include this follow-up item until the back log of Internal Funds audits is current.

- **Information Systems Auditing**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked about including information systems auditing in the audit program.

Status (10/11/18): The Chief Auditor's presentation for the School Board Workshop will include information systems audit requirements as an audit expectation. The Chief Auditor recognizes the technology risks faced by various organizations. **Status (11/15/18):** Two new information systems auditor positions were proposed in the Chief Auditor's "Assessment of Responsibilities and Headcount" that was presented to the School Board members. This follow up item will no longer be included in future Chief Auditor's Reports because it is incorporated in the Headcount assessment follow-up item.

- **Charter School Reporting**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked about expanding the OCA's reporting on Charter Schools.

Status 10/11/18: The Chief Auditor's presentation for the School Board Workshop will include expanded Charter School coverage and reporting as an audit expectation. **Status (11/15/18):** One additional Charter School auditor position was proposed in the Chief Auditor's "Assessment of Responsibilities and Headcount" that was presented to the School Board members. This follow-up item will no longer be included in future Chief Auditor's Reports because it is incorporated in the Headcount assessment follow-up item.

- **Parkland Modular / Herron Heights**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked to consider the Parkland modular projects at Park Trails and Heron Heights for the audit plan.

Status (10/11/18): These projects will be considered after the hire of the Facilities Audit Manager and the determination of the specific audits that the Facilities Audit Manager will perform. At this time, only PPO and maintenance audit contracts are in scope for the OCA because RSM McGladrey has been hired to look at Smart Bond projects. The OCA is expected to select one or two of RSM's projects to determine if we reach the same conclusion as RSM. These projects may be the ones selected but others may be more relevant at that time. **Status (11/15/18):** This follow-up item is now dismissed because of discussions at the October 11, 2018 Audit Committee meeting and will not be re-presented on future Chief Auditor's Reports.

- **SunPass Tolls & Mileage / Title I Coverage**

Background: At the August 9, 2018 Audit Committee meeting, the Chief Auditor was asked to consider SunPass Tolls / Mileage and Title I for the audit plan.

Status (10/11/18): The OCA can proceed on these audits after the conclusion of the ongoing Purchase Card audit or the conclusion of our eventual Student Code of Conduct / student discipline audit. **Status (11/15/18):** Title I and SunPass tolls are eligible to be audited in the future. Title 1 is likely to be covered after the conclusion of other ongoing audits and after our new auditors are on board. The Chief Auditor will continue to report on this follow-up item on future Chief Auditor's Reports until these audit subjects are included in the risk assessment.