

CHIEF AUDITOR'S REPORT

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Chief Auditor
Office of the Chief Auditor
January 31, 2019

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Summary of Activities Since the Prior November 15, 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 November 15, 2018.

GENERAL ACTIVITIES

1. The Chief Auditor presented the Internal Funds and the Property and Inventory audit reports at the School Board Operating Meeting on December 4, 2018. These reports were previously approved by the Committee at its November 15, 2018 meeting.
2. The OCA commenced the recruiting process to hire four new Auditors III positions, consistent with the Chief Auditor's presentation at the October 30, 2018 School Board Workshop. Once hired, the Chief Auditor will assign them to the internal funds team and then transfer them to the facility, information technology, operational / discipline, and charter school audit areas. The positions were advertised and yielded several applicants. The OCA has created a selection panel that will interview the qualified candidates during February 2019.
3. The Chief Auditor concluded on the recruiting process to hire two Inventory Audit Specialists: Mr. Richard Senatus started his employment with the OCA on December 3, 2018, and Ms. Ashley Collins commenced her employment with the OCA on December 10, 2018.
4. The Chief Auditor met with new School Board Member, Mrs. Lori Alhadeff, on December 19, 2018 to introduce himself. The Chief Auditor previously met the other School Board Members.
5. The Chief Auditor started the process for the new Request for Proposal for firms wishing to provide construction and operational audit services. The Chief Auditor will lead a selection committee under the direction of the Procurement and Warehouse Services department. The selection committee will include Audit Committee member, Mr. Sean Wilson, and Facility Task Force member, Sal Vacirca, as well as Director of Pre-Construction, Ms. Shelley Meloni, Facility Audit Manager, Mr. Gerardo Usallan, and Information Technology Process Analyst, Mr. Glenn Parks.
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 January 31, 2019 School Board Audit Committee meeting.
8. The Chief Auditor participated in the Superintendent's weekly Cabinet meetings.

FACILITY AUDITS

1. The Chief Auditor and Facility Audit Manager, Mr. Usallan, attended the Facilities Task Force meeting on December 6, 2018. Mr. Usallan then attended the Facility Task Force Meeting on January 17, 2019 and later summarized the meeting for the Chief Auditor.
2. The Chief Auditor and Facility Audit Manager, Mr. Usallan, met internally several times in November and December 2018 and January 2019 to discuss the scope of the RSM engagement. The OCA compiled a SMART Master Scope Document that lists key contractual responsibilities of the owner representatives as well as Bond Oversight Committee data and eventual projects that will be included in the scope of the fieldwork. The scope will also include follow up of issues noted. Going forward, the OCA will process the RSM reporting through the Audit Committee for transmission to the School Board.
3. The Chief Auditor and Facility Audit Manager, Mr. Usallan, met with RSM Partner, Mr. David Luker, and RSM Manager, Mr. Matthew Blondell, multiple times in November and December 2018 and January 2019 to discuss the OCA's management of the RSM engagement effective January 2019. Mr. Usallan then liaised with Mr. Luker several other times to further discuss the scope of the engagement.
4. The Chief Auditor and Facility Audit Manager, Mr. Usallan, met Director of Pre-Construction, Ms. Meloni, and Task Assigned Executive Director of Capital Programs, Mr. Frank Girardi, and RSM Partner, Mr. Luker, and CBRE HEERY representative, Mr. Danny Jardine, and Atkins representative, Ms. Ashley Carpenter, on January 23, 2019. Among the discussion items were the re-assignment of RSM's engagement as well as the general OCA expectations.
5. Facility Audit Manager, Mr. Usallan, attended the Bond Oversight Committee meeting on December 17, 2018 and later summarized the meeting for the Chief Auditor.
6. Facility Audit Manager, Mr. Usallan, attended the Qualification Selection Evaluation Committee meeting on January 24, 2019 and later summarized the meeting for the Chief Auditor.

INTERNAL FUND AUDITS

1. OCA Internal Funds Audit Manager, Ms. Ann Conway, completed audits of the internal funds of 64 schools and centers. These audits are part of the Committee's January 31, 2019 agenda.
2. The engagement with S. Davis and Associates (SDA) 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 requirement for the timely completion of internal funds audits. Per discussions with Partner, Ms. Tanya Davis, on January 16, 2019, SDA will plan to present a report to the Committee at its March 14, 2019 meeting.

PROPERTY AND INVENTORY AUDITS

1. OCA Property & Inventory Manager, Ms. Ali Arcese, completed Property and Inventory Audits of 21 locations. These audits are part of the Committee's January 31, 2019 agenda.
2. OCA Property & Inventory Manager, Ms. Arcese, attended several meetings in November and December 2018 and in January 2019 on the District's Inventory Process Improvement Project. As previously discussed with the Committee during discussions of the property and inventory audits and as proposed to the School Board members at their October 30, 2018 Workshop, a review of the District's property and inventory process is needed to address the historical issues noted on the audits.
3. The Chief Auditor and Chief Strategy and Operations Officer, Mr. Maurice Woods, visited the inventory warehouse on November 27, 2018 to personally observe the primary location of surplus inventory.
4. Executive Director of the Office of Strategic Initiative Management, Dr. Deborah Posner, met with the Chief Auditor and Property and Inventory Audit Manager, Ms. Arcese, and OCA System Support Specialist, Mr. Bryan Erhard, on January 7, 2019 to further discuss the property and inventory audits and issues for the Inventory Process Improvement Project.

OPERATIONAL AUDITS

1. OCA Operational Audit Manager, Mr. Usallan, continued working on the audit of District's Purchasing Cards.
2. OCA Operational Audit Manager, Ms. Meredith Filcman, continued working on the strategy for the OCA's eventual audit of the District's Student Code of Conduct and compliance with school disciplinary policies. Work is currently in process as several schools were selected and visited to review the quality of their student discipline documentation. The preliminary work now involves the data in the District's systems.
3. OCA Operational Audit Manager, Ms. Filcman, started an audit of the payroll of specific schools.
4. OCA Operational Audit Manager, Ms. Filcman, attended the District Recovery Team meetings on November 16, 2018, December 14, 2018 and January 14, 2019 and later summarized the meeting for the Chief Auditor.

CHARTER SCHOOLS AUDIT WORK

1. OCA Charter Schools Audit Manager, Mr. Reynaldo Tunnermann, presented the results of the OCA's annual review of charter school financial statements to the Charter Schools Monitoring and Oversight Committee meeting on November 28, 2018.

2. OCA Charter Schools Audit Manager, Mr. Tunnermann, attended the Charter Schools Principals' meeting on December 12, 2018 and later summarized the meeting for the Chief Auditor.
3. OCA Charter Schools Audit Manager, Mr. Tunnermann, attended the Financial Audit Committee (Charter Schools) on January 18, 2019 and later summarized the meeting for the Chief Auditor.
4. OCA Charter Schools Audit Manager, Mr. Tunnermann, started the quarterly review of charter school financial statements on January 25, 2019. The purpose of this review is 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.

WORK WITH REGULATORS / OTHER AUDITORS

1. The Chief Auditor led the effort for receiving the Broward Educational Foundation (BEF) financial statements needed for the District's Comprehensive Annual Financial Report (CAFR). Although the District received an unqualified opinion on its financial statements, the component financial statements would have received a qualified opinion without the BEF financials. Significant efforts from Chief Financial Officer, Mrs. Judith Marte, Director of Accounting and Financial Reporting, Ms. Erum Motiwala, and SDA Partner, Ms. Davis, allowed the District to file a fully unqualified CAFR.
2. The Chief Auditor coordinated the exit meeting for the Auditor General's Operational Audit on January 11, 2019. In attendance were Audit Supervisor, Ms. Diana Garza, Audit Coordinator, Ms. Stefanie Johnson (lead auditor for the Operational Audit), and Senior Auditor, Samantha Palaigos, from the Auditor General. School Board Chair, Mrs. Heather Brinkworth, and Superintendent, Mr. Robert Runcie, attended with the Chief Auditor and other Cabinet members. The Auditor General's final Operational Audit report is currently in process. Upon receipt of the official report, the Chief Auditor will lead the compilation of the District's formal response.

TRAINING

1. OCA Internal Funds Audit Manager, Ms. Conway, attended the Coaching, Counseling and Corrective Actions class conducted by the Labor Relations Department on December 5, 2018.
2. The Chief Auditor and Operational Audit Manager, Ms. Fileman, received training on the District's systems that holds discipline data on January 7, 2019.
3. OCA Property and Inventory Manager, Ms. Arcese, OCA Charter Schools Audit Manager, Mr. Tunnermann, OCA System Support Specialist, Mr. Erhard, and OCA Auditor, Mr. Luis Castano, attended the Lean Six Sigma training on January 14, 2019.

4. OCA Internal Funds Audit Manager, Ms. Conway, and OCA Auditors, Ms. Cecelia Guerrero, Mr. Castano, and Mr. David Sabre, completed various self-study and online audit training courses during November and December 2018.

GENERAL / ADMINISTRATIVE FOLLOW UP

- **Overall Follow-Up Process**

Background: At the August 9, 2018 and November 15, 2018 Audit Committee meetings, 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. **Status (01/31/19):** The Chief Auditor has prepared a spreadsheet for the management of issues from audit reports issued subsequent to fiscal 2018. This spreadsheet will be the basis for analyzing issues for follow up and trends and will be populated with audit data. The Chief Auditor's Report will continue to include this follow-up item until the Chief Auditor has finalized the follow-up process.

- **Risk Assessment**

Background: At the August 9, 2018 and November 15, 2018 Audit Committee meetings, 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. **Status (01/31/19):** The Chief Auditor started the Risk Assessment process that will be used for the compilation of the fiscal 2020 audit plan. The facility audit area was the first area for the process as the Chief Auditor compiled lists of contracts and SREF requirements to create a Facility Audit Strategy Spreadsheet. In addition, the SMART Master Scope Document for the SMART program audit of the areas for RSM review was also prepared. In the coming months, similar approaches will be used for the other audit areas. The Chief Auditor's Report will continue to include this follow-up item until the Chief Auditor has finalized the risk assessment process.

- **Headcount Assessment**

Background: At the August 9, 2018 Audit Committee meeting, the Committee passed a motion to communicate to the School 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. Runcie, on this issue. The Chief Auditor then worked with Chief Financial Officer, Ms. 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. **Status (01/31/19):** As noted earlier in this report, the hiring process for the OCA continues. The hire of the four additional auditors and the establishment of the IT audit function are key to addressing audit risks in the payroll testing and ensuring compliance with the discipline expectations. The 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 and November 15, 2018 Audit Committee meetings, 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. Runcie, on this issue. The Chief Auditor worked with the Chief Financial Officer, Ms. 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) / (01/31/19):** As previously noted, the OCA is currently working with SDA 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.

- **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. **Status (01/31/19):** This follow-up item is still on the follow-up list but will likely be removed prior to the March Committee meeting because the Risk Assessment process discussed earlier would have likely incorporated the Title 1 and tolls.

- **Audit Committee By-Laws**

Background: At the October 11, 2018 and November 15, 2018 Audit Committee meetings, the meeting agendas included proposals to revise the Audit Committee By-Laws.

Status (01/31/19): During the course of the Committee's previous meetings, certain changes were made but changes that were not accepted by the Committee were re-adjusted back to the wording of previously-approved By-Laws. The Committee's questions about the Conflict of Interest Form is pending required additional research. Since the form impacts several School Board advisory committees, a meeting of the liaisons for those committees will be held to discuss the form. That meeting will include Chief of Staff, Mr. Jeffery Moquin, and Deputy General Counsel, Mr. Robert Vignola. Another pending question regarding absences will be researched. This Chief Auditor's Report will continue to include this follow-up item until new By-Laws are approved. However, the Committee will need to comply with Policy 1.7.