

CHIEF AUDITOR'S REPORT

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Chief Auditor
Office of the Chief Auditor
March 14, 2019

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Summary of Activities Since the Prior January 31, 2019 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 January 31, 2019.

GENERAL ACTIVITIES

1. The Chief Auditor participated in the Superintendent's weekly Cabinet meetings.
2. The Chief Auditor attended various other School Board meetings and workshops and monitored agenda items for issues where audit coverage may be needed.
3. The Chief Auditor presented the Internal Funds and the Property and Inventory audit reports at the School Board Operating Meeting on March 5, 2019. These reports were previously approved by the Committee at its January 31, 2019 meeting.
4. The OCA continued 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. Although the process is slower than anticipated, the OCA has created a selection panel that will interview the qualified candidates during March 2019.
5. The Chief Auditor started the process for a new Request for Proposal for firms wishing to provide construction and operational and information technology 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, Mr. 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. OCA team members participated in commemoration and service activities related to the District Recovery project on February 14th, 2019.
7. OCA Operational Audit Manager, Ms. Meredith Filcman, attended the District Recovery Team's post commemoration meeting on February 21, 2019.
8. OCA Property & Inventory Audit Manager, Ms. Ali Arcese, participated in the District's Strategic Plan Development Session on February 25, 2019.
9. OCA team members coordinated the current March 14, 2019 School Board Audit Committee meeting.

FACILITY AUDITS

1. Facility Audit Manager, Mr. Usallan, attended the Facilities Task Force meetings on February 7, 2019 and March 7, 2019 and later summarized the meeting for the Chief Auditor.
2. The Chief Auditor and Facility Audit Manager, Mr. Usallan, met with RSM Partner, Mr. David Luker, and RSM Manager, Mr. Matthew Blondell in February 2019 to discuss the documents requested for the fieldwork on the RSM engagement on the SMART Bond. As previously discussed, the OCA will process the RSM reporting through the Audit Committee for transmission to the School Board.

INTERNAL FUND AUDITS

1. OCA Internal Funds Audit Manager, Ms. Ann Conway, completed audits of the internal funds of 30 schools and centers. These audits are part of the Committee's March 14, 2019 agenda.
2. The Chief Auditor and OCA Internal Funds Manager, Ms. Conway, met several times with S. Davis and Associates (SDA) Partners, Mr. Shaun Davis and Mrs. Tanya Davis to discuss the internal funds audits that were outsourced to SDA. SDA completed internal funds audits of 12 schools and will present them at the March 14, 2019 meeting.
3. OCA Internal Funds Manager, Ms. Conway, met with District Staff on the application of School Board Policy 1341 – Facility Rental policy (Use of Broward County School Facilities for Non-School Purposes).

PROPERTY AND INVENTORY AUDITS

1. OCA Property & Inventory Manager, Ms. Ali Arcese, completed Property and Inventory Audits of 8 locations. These audits are part of the Committee's March 14, 2019 agenda.
2. OCA Property & Inventory Manager, Ms. Arcese, attended nine separate meetings in February 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. OCA Property & Inventory Manager, Ms. Arcese, traveled to The School District of Palm Beach County on February 1, 2019 to review their process for Property and Inventory.

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 audits of the District's Student Code of Conduct and compliance with school disciplinary policies. The team is currently analyzing the process flow between the discipline systems.
3. The Chief Auditor met with Carr Riggs Ingram Partner, Robert Broline, on February 28, 2019 to initiate the Broward Education Communication Network Follow-Up / Current Status Audit. Meetings are scheduled with Chief Public Information Officer, Ms. Katherine Koch, and BECON General Manager, Mr. Rick Reynolds.
4. OCA Operational Audit Manager, Ms. Filcman, continued an audit of the payroll of specific schools.

CHARTER SCHOOLS AUDIT WORK

1. OCA Charter Schools Audit Manager, Mr. Reynaldo Tunnermann, attended the Charter Schools Principals' meeting on February 13, 2019 and later summarized the meeting for the Chief Auditor.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, conducted the close-out inventory on February 19, 2019 of the recently-closed Kidz Choice Charter School.
3. OCA Charter Schools Audit Manager, Mr. Tunnermann, participated in District meetings chaired by the Office of Portfolio Services' Charter School Management Office that were organized to evaluate the Charter School applications. Those meetings occurred from February 27, 2019 through March 1, 2019. He later summarized the meetings 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 and Chief Strategy and Operations Officer, Mr. Maurice Woods, compiled the District response for the Management Letter compiled by Moore Stephens Lovelace (MSL). The Management Letter is part of the Committee's March 14, 2019 agenda.
2. The Chief Auditor worked with the Procurement and Purchase Warehousing Services Department on the one-year renewal of External Independent Financial Audit Services Engagement renewal with MSL. Discussion of the renewal is part of the Committee's March 14, 2019 agenda.
3. The Chief Auditor and Internal Funds Audit Manager, Ms. Conway, attended various meetings with Chief Office of School Performance and Accountability Officer, Dr. Valarie Wanza, and several principals on past audit issues noted in prior FTE audits.

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 program for audit report and general issues and comments from the Committee members (and the School Board members). The regular Chief Auditor's Report will try to capture the various points raised by Committee members and how they stand. However, a more robust process that will inventory the issues and analyze historical findings and trends as well as Board comments is also envisioned. **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 from school year 2017 and beyond. 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. **Status (03/14/19):** The overall follow-up process continues. After a spreadsheet was started for follow-up process, the Chief Auditor deemed that a database would be more functional because it would provide better reporting and analysis of prior issues. Thus, a new database is being created with the same attributes of the spreadsheet.

- **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 to compile the next school 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 school year 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. **Status (03/14/19):** The risk assessment process continues. Data has been received to evaluate data on schools, information technology, and charter schools.

- **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. 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. **Status (01/31/19) / (03/14/19):** 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) / (03/14/19):** 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. **Status (03/14/19):** Title I and Sun Pass tolls are now part of the audit subjects in the draft risk assessment, thus this follow-up item will likely be removed prior to the next Committee meeting.

- **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 other 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. **Status (03/14/19):** The Committee's remaining comments on the Conflict of Interest Form and absences have been researched as much as possible. The current Conflict of Interest Form is a District form outside of the Committee's responsibility. If the form is changed, the By-Laws will be changed at its next scheduled update. With respect to attendance, the current language is exactly as required in Policy 1.7.