

CHIEF AUDITOR'S REPORT

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Chief Auditor
Office of the Chief Auditor
School Board of Broward County, Florida
May 2, 2019

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Documented below is a summary of significant activities performed by the Office of the Chief Auditor (OCA) since the last Audit Committee meeting on March 14, 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 S. Davis and Associates Internal Funds, OCA Internal Funds, OCA Property and Inventory, Moore Stephens Lovelace (MSL) Reports Required with Government Auditing Standards of the Auditor General (Management Letter) at the School Board Operational Meeting on April 9, 2019. These reports were previously approved by the Committee at its March 14, 2019 meeting.
4. The OCA continued the recruiting process to hire four new auditor positions, consistent with the Chief Auditor's presentation at the October 30, 2018 School Board Workshop. Although the process is slower than anticipated, the OCA created a selection panel that interviewed the qualified candidates on March 19, 2019. After second interviews with the Chief Auditor, four offers were extended that yielded three acceptances. Pending the completion of required paperwork and approval at the May 7, 2019 School Board meeting, the potential new OCA team members will be starting in late May.
5. The OCA also continued the process for hiring a replacement for an auditor who resigned as well as the Information Technology (IT) Audit Manager position discussed at the October 30, 2018 School Board Workshop. The search for the auditor is still in process and will be re-advertised, but the search for the IT Audit manager yielded 3 qualified candidates from 15 applicants. Interviews for the IT Audit Manager will be scheduled the week of May 6, 2019.
6. OCA Inventory Specialist, Thomas Martens, provided notice that his last day of employment with the District would be on May 10, 2019.
7. The Chief Auditor started the process to extend the Request for Proposal (RFP) for firms that provide construction and operational audit services. The existing RFP is scheduled to end on June 30, 2019 but has now been extended before a new RFP that would cover construction, operational, and information technology audits would take effect.
8. The Chief Auditor will lead a selection committee under the direction of the Procurement and Warehouse Services department for the replacement to the expiring RFP. 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.

9. OCA Property & Inventory Audit Manager, Ms. Ali Arcese, participated in the District's Strategic Plan Development Session on April 24, 2019.
10. OCA team members coordinated the current May 2, 2019 School Board Audit Committee meeting.

FACILITY AUDITS

1. Facility Audit Manager, Mr. Usallan, attended the Facilities Task Force meeting on April 4, 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, on March 21, 2019 and on April 5 and 22, 2019 to discuss the fieldwork on the RSM engagement on the SMART Bond.

INTERNAL FUND AUDITS

1. OCA Internal Funds Audit Manager, Ms. Ann Conway, completed audits of the internal funds of 22 schools and centers. These audits are part of the Committee's May 2, 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 previously completed 12 internal funds audits of 12 schools and will present more audits at the Committee's June 20, 2019 meeting.

PROPERTY AND INVENTORY AUDITS

1. OCA Property & Inventory Manager, Ms. Arcese, attended several meetings in April 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 at the October 30, 2018 School Board Workshop, a review of the District's property and inventory process is needed to address the historical issues noted on the audits.
2. OCA Property & Inventory Manager, Ms. Arcese, continued working on property and inventory audits. Although the OCA usually presents these audits at the Committee's meetings, the current audits in process are of several large departments (such as Food & Nutrition and Transportation) that require extended fieldwork. The Chief Auditor will present these audits at the next Committee meeting on June 20, 2019.

OPERATIONAL AUDITS

1. OCA Facility 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 documentation of school-level discipline.
3. The Chief Auditor met with Chief Public Information Officer, Ms. Katherine Koch, BECON General Manager, Mr. Rick Reynolds, and Carr Riggs Ingram (CRI) Partner, Robert Broline, to initiate the Broward Education Communication Network Follow Up / Current Status Audit on April 12, 2019.

CHARTER SCHOOLS AUDIT WORK

1. OCA Charter Schools Audit Manager, Mr. Reynaldo Tunnermann, performed detailed testing on two charter schools. The Chief Auditor and Mr. Tunnermann attended numerous meetings and teleconference calls with respect to the schools and their attorney.
2. OCA Charter Schools Audit Manager, Mr. Tunnermann, and OCA Property & Inventory Audit Manager, Ms. Arcese, attended the Kidz Choice Charter School closure meeting on May 1, 2019 (scheduled).
3. OCA Charter Schools Audit Manager, Mr. Tunnermann, started the quarterly review of charter school financial statements. 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 coordinated the response to the preliminary and tentative findings from the Auditor General's Operational Audit. Various meetings were held between the Chiefs to compile the response that will be included in the final report when it is published. An original response was provided on April 3, 2019. An updated response was provided on April 23, 2019 after the removal of a tentative finding on impact fees.
2. The Chief Auditor and Internal Funds Audit Manager, Ms. Conway, coordinated the entrance conference for the Florida Auditor General's 2018 FTE Audit. Ms. Conway also notified the selected schools (charter and District schools) and provided ongoing assistance to the Auditor General's field auditors.

TRAINING

1. OCA Property & Inventory Audit Manager, Ms. Arcese, and several OCA Auditors and OCA Inventory Audit Specialists attended the Property and Inventory training for District personnel on March 15, 2019.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, attended the Property & Inventory training for new assistant principals on March 20, 2019.
3. OCA Property & Inventory Audit Manager, Ms. Arcese, conducted an in-house training on property and inventory for the OCA team on March 22, 2019.
4. OCA Internal Funds Audit Manager, Ms. Conway, and Inventory Audit Specialist, Ms. Ashley Acevedo, attended the Building Emergency Response Team meeting on April 5, 2019.
5. OCA Internal Funds Audit Manager, Ms. Conway, and several OCA staff attended the Lean Six Sigma workshop on April 11, 2019.
6. OCA Property & Inventory Audit Manager, Ms. Arcese, completed three continuing education classes from April 4 - 24, 2019.

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. At the April 9, 2019 School Board Meeting the Chief Auditor was also asked about follow up by the School Board Members.

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 establishment of the follow-up process continues. **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 follow-up database would be more functional because it would provide better reporting and analysis of prior issues. Thus, a new follow-up database is being created with the same attributes of the spreadsheet. **Status (05/02/19):** The development of the follow-up database is progressing with the transfer of information from prior reports. The Chief Auditor and his staff have populated the follow-up database with all of the findings from 2017 and 2018 and with all audit findings that were published by the OCA, RSM, SDA, CRI, MSL and has prepared a place for the potential findings of the

Auditor General's operational audit. The Chief Auditor discussed this process with the School Board Members at their School Board Operational Meeting on April 9, 2019.

- **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. **Status (03/14/19):** The risk assessment process continues. Data has been received to evaluate schools, information technology, and charter schools. **Status (05/02/19):** The risk assessment process continues. The Chief Auditor has received data from Legal, Real Estate, Procurement, and Finance to prepare an initial plan for school year 2020. Risk assessment meetings are now in process with the various Chiefs to obtain their perceptions of risk as well as qualitative information that will contribute to the next audit plan.

- **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):** 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):** 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. **Status (05/02/19):** The potential hire of three new auditors will assist the OCA in accomplishing its goals and compiling additional audits.

- **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. **Status (05/02/19):** The OCA is almost current on the backlog of internal funds audits. OCA team members have completed all of their assigned outstanding internal funds audits noted by the Auditor General in their preliminary report. The only outstanding internal funds audits are those assigned to SDA who has committed to complete them by the next Audit Committee meeting on June 20, 2019. This follow-up item is expected to be resolved during the next Audit Committee meeting.

- **Audit Committee By-Laws**

Background: At the October 11, 2018 and November 15, 2018 and March 14, 2019 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 proposed changes were made but other proposed 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 as it 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. **Status (03/14/19):** The Committee's remaining comments on the Conflict of Interest Form and absences have been researched. With respect to attendance, the current language is exactly as required in Policy 1.7. **Status (05/02/19):** The Chief Auditor worked with Deputy General Counsel, Mr. Robert Vignola, to present new conflict of interest forms that would accompany the By-Laws. The By-Laws were updated to include the names of the new conflict of interest forms. The independence language was also revised to address comments from Ms. Shaw.

Office of the Chief Auditor Organization Chart

(May 2019)

