

The School Board of Broward County, Florida  
**AUDIT COMMITTEE**

MINUTES OF AUDIT COMMITTEE MEETING

May 2, 2019

Mr. Moses Barnes, Audit Committee Chair, called the Audit Committee meeting to Order at 11:39 A.M. at the Kathleen C. Wright Building in the 1<sup>st</sup> Floor Board Room. Members and Staff were introduced.

Members Present:

Mr. Moses Barnes, Chair  
Ms. Rebecca Dahl  
Mr. Anthony De Meo, CPA  
Ms. Mary Fertig  
Ms. Stacey Kotzen, Esq.  
Dr. Nathalie Lynch-Walsh  
Mr. Andrew R. Medvin, CPA  
Ms. Phyllis Shaw

Staff Present:

Mr. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)  
Ms. Judith Marte, Chief Financial Officer, Office of the Chief Financial Officer  
Mr. Dan Gohl, Chief Academic Officer  
Ms. Leslie Brown, Chief Portfolio Services Officer  
Mr. Maurice Woods, Chief Strategy & Operations Officer  
Mr. Robert Vignola, Deputy General Counsel, Office of the General Counsel  
Dr. Mary Claire Mucenic, Director, Exceptional Student Learning Support Services  
Ms. Donte Collins, Director, Charter Schools Management / Support  
Ms. Ali Arcese, Manager, Property and Inventory Audits, OCA  
Ms. Ann Conway, Manager, Internal Funds Audits, OCA  
Mr. Gerardo Usallan, Manager, Facility Audits, OCA  
Mr. Reynaldo Tunnermann, Manager, Operational Audits – Charter, OCA  
Mr. Luis Castano, Auditor III, OCA  
Ms. Michele Marquardt, Confidential Department Secretary, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present:

Mr. Scott Travis, Sun-Sentinel

Meeting called to order at 11:40 A.M.

Mr. Barnes inquired of Mr. Jabouin on any changes to the meeting agenda. Mr. Jabouin responded that an item was added to the agenda with the title “Follow-Up – Audit Committee Comments.” Another item was added within of the existing Auditor General agenda item titled “Operational Audit.”

**Formal Motion** to request the approval of the amended agenda was made by Mr. Medvin and seconded by Ms. Shaw.

The motion passed unanimously.

## **Old Business**

### **By-Laws**

The Committee discussed the proposed Audit Committee By-Laws. Mr. Jabouin summarized the changes to the By-Laws since the Committee’s prior discussion of the By-Laws at its March 14, 2019 meeting for the Committee members.

Mr. Jabouin reported that most of the Committee’s requested changes were made from the previous meeting, including changes to specify that the year-end periods discussed within the By-Laws were school years. Previously-proposed changes that were not accepted by the Committee were re-adjusted back to the wording of the previously-approved By-Laws. Mr. Jabouin also made other cosmetic changes that addressed grammar, capitalization, consistency, and redundancy issues.

The Committee also discussed School Board Policy 1.7 [School Board-Established Advisory Committees and Appointment of School Board Member Representative(s) To Such Committee(s)], School Board Policy 1002.1 (Office of the Chief Auditor), and CE Form 8B (Memorandum Of Voting Conflict For County, Municipal, And Other Local Public Officers), CE Form 4A (Disclosure of Business Transaction, Relationship or Interest) as well as proposed District form called Nominee’s Eligibility For Service On School Board Advisory Committee and another proposed District form called Acknowledgement of School Board Advisory Committee Member’s Responsibilities.

The Committee then discussed the applicability of the forms to the Committee Members, how it would work administratively and whether general names can be used instead of the formal names of the forms. The Committee also discussed including language to cover confidential and exempt information that would not be covered by open records laws. Mr. Jabouin responded that he would work with Mr. Vignola on the specific language that would be used in the By-Laws with respect to the committee’s comments.

Mr. Jabouin was asked to re-present the By-Laws at the next meeting with the revised language. However, he was also asked to send the revised language to the Committee Members before the meeting.

### **Follow-Up – Audit Committee Discussions**

Mr. Jabouin noted that the Committee previously discussed issues with overtime, overpayments, and payroll. This agenda item is reserved to close out those discussions and determine next steps that the Committee would like to take.

Ms. Fertig noted that historic overpayment and payroll issues have occurred at the District. She summarized various audits from the OCA and the Auditor General with respect to those areas. Ms. Fertig then noted that she met individually with Mr. Jabouin and Ms. Marte to discuss the historic payroll issues and have used those discussions to draft a proposed motion to have the OCA or an external firm perform such an audit.

Ms. Marte then explained the history of payroll issues that she has noted since her hire two years ago. She then mentioned that her team has been working with the Strategic Initiative Management team on a Payroll Process Improvement initiative over several months. She thinks that the School Board will view significant changes to payroll controls to be favorable and approve money to bring in SAP experts to help change the District's business rules.

Ms. Marte noted that the District is in the process of fixing the issues, but such fixes will take 18 months or more. The version SAP was on would not support the software version. The changes require training and testing. Everyone involved is excited as to how this will look, and she will be happy to come with an update to the Committee at any time. However, an audit performed by the OCA will likely yield the same results noted by the Auditor General.

Mr. Medvin stated that an audit at this time would be premature. He noted that Ms. Marte is working on the payroll issues now and performing an audit at this time would not be ideal and that waiting would allow for a more successful audit. Mr. De Meo stated that he would be in favor of waiting 6 months to start such an audit but found 18 months to be excessive.

Ms. Fertig noted verbiage from the 2016 Auditor General Audit that mentioned an action plan to resolve payroll issues and that such issues still occur. Ms. Fertig and Ms. Shaw did not recommend waiting. Dr. Lynch-Walsh then commented that she agrees performing such an audit now would be favorable to provide a baseline. She recommends that the Procurement Department should be selected.

Mr. Jabouin then noted that payroll issues have been a constant concern for Ms. Marte and that she began the Payroll Process Improvement initiative to address those issues. He then noted that since this is a concern to the Committee, such an audit can be placed on the fiscal 2020 audit plan. Although the timing is not optional, some level of work can be done. A department can be selected, or some sort of system-wide work can be done to address the concerns of Ms. Fertig and Dr. Lynch-Walsh. However, the work cannot be done now. Given the District's other priorities on discipline and threat assessment and the lack of an IT audit manager, this audit would be prioritized after any discipline audit work at the end of the audit plan.

**Formal Motion** was made by Fertig and seconded by Shaw as follows:

Whereas the findings of the Florida Auditor General, in the most recent audit dated April 2019 and three previous audits, have identified issues dealing with payroll processing, overpayments, and overtime  
and

Whereas the Office of the Chief Auditor has periodically conducted payroll and timekeeping audits which have previously identified overtime, overpayments, and other issues with recordkeeping in such departments as Transportation, Design Services, and the Special Investigative Unit (SIU)

The Committee moves that the Office of the Chief Auditor

- (1) perform or engage an outside auditor to perform an audit whose scope would include payroll processing, overpayments, and overtime in compliance with School Board policies and procedures at a designated department

or

- (2) perform or engage an outside auditor to perform a District-wide audit to determine compliance with School Board policies, procedures, and protocols that cover payroll processing, overpayments, or overtime.

The motion passed unanimously.

**Formal Motion** was made by Fertig and seconded by Shaw as follows:

The Audit Committee recommends that the School Board support and prioritize the necessary upgrades to the SAP system and allocate dollars necessary to complete this project as quickly as possible.

The motion passed unanimously.

### **New Business**

#### **Minutes**

After limited discussion, a **Formal Motion** to request the approval of the minutes was made by Ms. Shaw and seconded by Dr. Lynch-Walsh.

The motion passed unanimously.

#### **Threat Assessment Procedures Report**

Mr. Jabouin introduced the Threat Assessment Procedures Report and noted that this report is not a typical Audit Committee agenda item since it was not a report of the OCA and was commissioned by another department under a process that was well under way prior to the hire of the Chief Auditor. This agenda item is for informational purposes only and that no action or transmission is needed from the Audit Committee. He then introduced Chief Academic Officer, Mr. Gohl, to provide an overview of the report to the Committee.

Mr. Gohl noted that after the February 2018 tragedy, the District's Chiefs started many initiatives. The threat assessment project was approved by the School Board and led to the creation of the threat assessment policy that was recently approved by the School Board. The threat assessment project was similar to other initiatives and investigations. There was a separate Florida Department of Law Enforcement investigation. There was also the engagement with Safe Havens.

Dr. Lynch-Walsh and Ms. Dahl had specific questions that were answered by Mr. Gohl regarding the threat assessment process and the documentation issues noted in the report. Mr. Gohl enlightened the Committee on a new system that the District will purchase to automate the current paper-based process for threat assessments.

Ms. Dahl discussed her concerns about threat assessment training. Mr. Gohl noted that the District shares Ms. Dahl's concern. The District has now re-trained all administrators and now has a threat assessment policy. The policy mandates that the principal sign off on all threat assessments.

Mr. Jabouin reminded the Committee that this is not a typical Committee meeting agenda item. As discussed at various meetings, the OCA will perform an audit of the threat assessment process. This will be part of the new audit plan. At that time, findings noted in this Threat Assessment Procedures Report may be different but given all of the changes in the process and new measures enacted since this report, the control and documentation environment may be different.

### **Internal Audit Report – Audit of the Internal Funds of Selected Schools**

After limited discussion, a **Formal Motion** to transmit the Internal Funds Audit of Selected Schools was made by Ms. Shaw and seconded by Dr. Lynch-Walsh.

The motion passed unanimously.

### **OCA Investigation Report – Charter Schools**

Mr. Jabouin reported that The Florida Department of Education received a complaint from a whistleblower, who was a former employee at Academic Solutions, and forwarded the complaint to the District in April 2018.

The schools are Academic Solutions Academy A and Academic Solutions High School located on Commercial Boulevard in Fort Lauderdale, Florida.

The complaint was from a former teacher that had 4 allegations involving:

1. the schools were “inflating or falsifying attendance on a large scale;”
2. “Bus Pass” fraud as well as duplicate “dummy schedules;”
3. ESE records, since many ESE students have not attended this school; and
4. general fraud in the purchase of services and equipment at the schools (kickbacks).

With respect to the first allegation of Bus pass fraud, the OCA found that total bus pass expense was \$2,800. The OCA obtained their policies for bus passes and had no exceptions.

Regarding general fraud and kickbacks, it was difficult for the OCA to test and this is difficult to prove. They provided the OCA with access to their general ledger and we navigated through it.

With respect to the remaining allegations of falsifying attendance and ESE, the OCA had concerns because the charter schools’ documentation did not support the FTE allocations that they received for the students within the survey windows.

Charter school management disagrees with the OCA’s conclusions and has engaged an attorney on this matter. However, the ultimate decision will be with the Florida Department of Education on the possible over funding of FTE of \$854,276.

Ms. Brown noted that she appreciated the work performed by the OCA and that Mr. Jabouin and his team extended many opportunities to the charter school and their attorneys, and now it is time to turn it over the information to the State and the Federal government.

Mr. Medvin asked what more can be done to increase oversight of charter schools. Ms. Brown then described the review process and follow-up procedures performed by Charter Schools Management/Support. Ms. Brown then described the monthly financial meetings and the alerts to monitor charter schools. Ms. Fertig asked if any public records were shred in the process. Ms. Dahl asked how many charter schools and how many District employees are employed by Charter Schools Management/Support area to monitor them. Ms. Brown responded that there were 88 schools and 12 people working in the department. Mr. Barnes suggested that further work is needed to deal with the overall issues of charter schools.

**Formal Motion** to transmit the Investigation Report Audit of Selected Charter Schools was made by Fertig and seconded by Shaw.

The motion passed unanimously.

### **Auditor General**

#### **Operational Audit**

Mr. Jabouin reported that the Auditor General's operational audit had been going since June. At the exit meeting in January 2019, the Auditor General's auditors went over the fieldwork but did not provide the District a draft or any report. The Chief Auditor's notes from the meetings identified 14 initial preliminary findings. The District clarified many misconceptions by the Auditor General and ended up having nine preliminary findings when the preliminary report was published.

Mr. Jabouin also reported that ultimately the Auditor General did not include a preliminary finding on impact fees which led to a reduced eight report issues. The impact fee was a preliminary issue that received some negative publicity from the media. However, the District stood by its legal position of using such fees for debt service.

Mr. Jabouin noted that the District has reduced the number of potential operational findings to eight from 12 since the last Auditor General Operational audit in 2016. Of those eight remaining tentative findings, two tentative findings are already closed, and another is substantially closed. The open five tentative findings have received action plans with due dates and will be tracked using the OCA's follow-up process.

**Formal Motion** to transmit the State of Florida Auditor General Operational Audit was made by Fertig and seconded by Shaw.

The motion passed unanimously.

### **Financial Audit**

Mr. Jabouin reported that the Auditor General's Federal Financial and Single audit had no findings. The audit result was an improvement from the 2016 Financial and Federal Single Audit report that contained two findings.

**After limited discussions, a Formal Motion** to transmit the State of Florida Auditor General Financial and Federal Single Audit was made by Fertig and seconded by Shaw.

The motion passed unanimously.

### **Chief Auditor's Report**

Mr. Jabouin reported that 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.

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.

Regarding the motion passed by the Audit Committee at its March 14 meeting, the Superintendent has now re-assigned the management of the DEPB budget of \$170,000 for the SMART Bond Quality Assurance under the direction of the OCA. An external firm currently has responsibility for audits of the SMART Bond. Now the full management of the budget and the fieldwork will be the responsibility of the OCA going forward.

Dr. Lynch Walsh asked that the future discipline audit review the appropriateness of Saturday detention and the payroll of those supervising Saturday detention. Mr. Jabouin responded that this would be considered but not assured.

**After limited additional discussion on SAP, a Formal Motion** was made by Fertig and seconded by Dr. Lynch-Walsh as follows:

The Audit Committee recommends that the School Board support and prioritize the necessary upgrades to the SAP system and allocate dollars necessary to complete this project as quickly as possible.

The motion passed unanimously.

#### **Public Speaker**

No public speakers attended the meeting.

#### **Audit Committee Member Comments**

No Committee Members had comments.

#### **Adjournment**

**Formal Motion** to adjourn made by Ms. Shaw and seconded by Dr. Walsh.

The motion passed unanimously.

Meeting Adjourned: 2:05 P.M.