

The School Board of Broward County, Florida

AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

August 8, 2019

Mr. Moses Barnes, Audit Committee Chair, called the Audit Committee meeting to Order at 11:10 A.M. at the Kathleen C. Wright Building in the 1st Floor Board Room. Members and Staff were introduced.

Members Present:

Mr. Moses Barnes, Pro Tem Chair
Mr. Robert Mayersohn, Pro Tem Vice Chair
Mr. Brendan Aloysius Barry, Esq.
Ms. Rebecca Dahl
Mr. Anthony De Meo, CPA
Ms. Mary Fertig
Dr. Nathalie Lynch-Walsh
Ms. Phyllis Shaw

Staff Present:

Mr. Robert Runcie, Superintendent of Schools
Mr. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Katherine Koch, Chief Officer, Office of the Chief Information Office
Mr. Robert Vignola, Deputy General Counsel, Office of the General Counsel
Mr. Frank Girardi, Executive Director, Office of Chief Facilities & Construction Management (OFC)
Ms. Erum Motiwala, Director, Accounting & Financial Reporting
Ms. Shelley Meloni, Director, Pre-Construction, (OFC)
Mr. Dave Archer, Director, Program Controls (OFC)
Mr. Rick Reynolds, Director, BECON
Ms. Ali Arcese, Manager, Property and Inventory Audits, OCA
Ms. Ann Conway, Manager, Internal Funds Audits, OCA
Mr. Gerardo Usallan, Manager, Facility Audits, OCA
Ms. Jennifer Harpalani, Auditor III, OCA
Mr. Eric Seifer, Auditor III, OCA
Ms. Michele Marquardt, Confidential Department Secretary, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present:

Mr. Danny Jardine, Program Director, CBRE|HEERY
Mr. Michael Bobby, CBRE|HEERY
Mr. Rob Broline, Partner, Carr Riggs & Ingram LLC

Mr. David Luker, Director, RSM
Mr. Matthew Blondell, CPA, Business Risk Consulting, RSM
Mr. Jaren Mendel, RSM
Mr. Shaun Davis, Managing Partner, S. Davis & Associates, P.A. (SDA)
Ms. Tanya Davis, Managing Partner, SDA
Ms. Annette Lewis, Consulting Manager, SDA
Ms. Ashley Carpenter, Atkins

Administrative Matters

Mr. Jabouin discussed the timeframes listed on the agenda.

Mr. Jabouin discussed that due to the cancelation of the last Audit Committee Meeting for June 20, 2019 because the Committee did not meet quorum, the items rolled over to today's agenda. Mr. Jabouin explained he realized quorum would not be met and canceled the meeting because the Committee would not be able to conduct business without quorum. In addition, several presenters were traveling from out of town, and he wanted to prevent them from making an unnecessary trip.

Mr. Jabouin stated the Nominating Committee for August 8, 2019 was unable to meet as scheduled before the Audit Committee meeting as quorum was not met. A larger Nominating Committee has now been appointed and will consist of Mr. Medvin, Ms. Shaw and Ms. Dahl. The Nominating Committee will meet just before the next Audit Committee Meeting on October 10, 2019.

Mr. Jabouin announced that Audit Committee member, Mr. Sean Wilson, had to resign from the Committee due to work constraints. Mr. Jabouin thanked Mr. Wilson for his service. Ms. Lori Alhadeff, School Board member, will provide a new nominee.

Seeing that the Nominating Committee did not meet, a Chair Pro Tem needed to be nominated.

Formal Motion to nominate Mr. Barnes as Chair Pro Tem and Mr. Mayersohn as Vice Chair Pro Tem until the Nominating Committee meets, and a vote has taken place was made by Mr. Barry and seconded by Ms. Fertig. The motion passed 6-2 with the following votes: Barnes (Y), Barry (Y), Dahl (Y), De Meo (Y), Fertig (Y), Lynch-Walsh (N), Mayersohn (Y), Shaw (N).

Formal Motion to request the approval of the consent agenda with noted changes to switch items 5 and 11 on the agenda was made by Mr. Mayersohn and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

Old Business

By-Laws

Mr. Jabouin stated that the By-Laws have been discussed at every meeting since October 2018. He discussed the recent changes requested at the May 2nd meeting. On page 4, article 3, section 6, new language was added, and specific form names were removed. On page 5, article 6, section 8, new language was added as requested. Lastly, some administrative forms were added as reference materials. Mr. Mayersohn had a question regarding external firms and if it should be included in the By-Laws due to a recent change in Statute. Mr. Jabouin stated he will be conferring with Mr. Vignola and would be leaving the language

as presented. Ms. Fertig had a question on page 3, section 1 regarding language in the voting section. After discussion on the wording, Mr. Barnes suggested to move forward without any changes, and it was agreed.

Formal Motion to request the approval of the By-Laws as presented was made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

New Business

Minutes

The Committee discussed the Minutes from the meeting of May 2nd, 2019. No questions were noted.

Formal Motion to request the approval of the minutes was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

S. Davis & Associates Audit Report – Audit of the Internal Funds of Selected Schools

Mr. Jabouin gave some background to S. Davis & Associates assisting with the audits of Internal Funds. Mr. Davis and Ms. Lewis reviewed the report and stated that there were no findings found in the 21 schools audited. For additional information, please refer to the audio of the meeting which is available at <https://www.browardschools.com/Page/34791>.

Mr. Mayersohn suggested that in the future, it would be helpful if they followed the layout of the Chief Auditor's report for internal funds and mirror the table of contents page that shows whether there are findings on each school. This would make it easier to view at a glance if there are any findings and be consistent with the Chief Auditor's Internal Funds report.

Mr. De Meo was interested in the scope of the audits. He wanted to know how it is determined if all the funds are being looked at for the school. Mr. Jabouin and Ms. Conway described the scope and stated that everything is included when the audit is done. Mr. De Meo inquired how it would be known if the school opened a new bank account. Ms. Conway explained that the school is to have only one bank account. In order to know if there is other money, someone would have to tell us. She continued to explain that the audits are not allowed to look at the parent group accounts.

Mr. De Meo inquired about if the Principal opened a new bank account and asked if a bank confirmation could be done, and Ms. Davis addressed the question by stating that the banks usually will not do the confirmations any longer, and a fee would be charged. Mr. Jabouin stated he thought there were some limits on that, and if they were to open an account, they could open it at a variety of institutions.

Formal Motion to transmit the S. Davis & Associates Audit Report of Internal Funds Audit of Selected Schools was made by Mr. Mayersohn and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

Carr Riggs Ingram Report – BECON Follow-Up

Mr. Jabouin indicated that after the report was completed, there was a change in leadership, and the area was in transition for a period of time. He indicated that in the audit plan, there is a follow-up audit to be performed during the next school year. This will likely be done in January or February. Mr. Broline presented the report and stated there were thirteen observations at the time of the audit from May 3, 2018. Ten findings had to do with operations and three had to do with controls.

Mr. Broline discussed the follow up of the internal audit performed. It was very specific to items identified at that time. He determined if items are now closed. He stated that there are management comments noted. Committee comments included Ms. Fertig who was concerned as to the length of time it has taken for job descriptions and she referenced page 9, observation 5. Mr. Reynolds discussed how the three areas were looked at for the job descriptions and explained that some job descriptions changed, and some needed to be created. He further explained that they are trying to be comprehensive as they revised and create the job descriptions and would like to finish the fourth observations before beginning observation 5.

Ms. Koch discussed how excited she was that the School Board has a TV station, but it is underutilized, and there is so much that could be done with it. She wants to take a fresh look and determine better utilization, starting with people and job descriptions. She may have delayed the process because she wanted to be comprehensive. Ms. Koch also wants to have the TV station and videos, and the Superintendent can do a weekly show. She further explained that SBBC could have their own news station and post it. She explained that the SBBC could be more responsible for their stories. Ms. Koch indicated that there is so much opportunity with having a TV station. She indicated she wants to be trendsetter with BECON and is determining what positions may need to be added. It was mentioned that the department has been changed to Office of Communications. All the job descriptions will be done by March 2020.

Ms. Fertig followed up with a question regarding spending limits. Mr. Reynolds stated that there were challenges because the Accounting Specialist of 13 years left, and it took time to analyze the different limits in the different areas.

Mr. Mayersohn followed up with a question on number 5 relating to job descriptions. He asked, if there is any transition in employees leaving, retiring, and new employees being hired based upon the comments that were made on those job descriptions that don't match what those employees are doing.

Ms. Koch indicated that a few employees are in the drop program, and those are some of the jobs we will be looking closely at to determine change. Mr. Reynolds discussed that there were 24 of 33 changes in job descriptions to clean up as some wording references old equipment. Some may need a total update due to changes in the industry. He will have a strategic plan by March 2020.

Mr. Mayersohn inquired as to how to move forward in the meantime. He is concerned at how to move forward as people leave with a job description. Ms. Fertig then inquired as to when the job descriptions would go to the Board. Ms. Koch discussed how the transition will flow. She is working to see how to present it to the Board as it is a lengthy process and noted that this isn't a direct answer to the question.

Mr. De Meo referenced the deficit that expenses exceed revenues. He asked if the Sprint agreement bridged that gap. Ms. Koch discussed the Sprint agreement and is able to realize \$2.4 million annually and discussed that the money does not stay with BECON and how it flows. The money goes into the general fund and BECON requests some back. She would like to retain more of that money in BECON in order to plan with as far as training and equipment.

Mr. De Meo referenced page 5 regarding the service contracts and asked if it was something of concern. Mr. Reynolds discussed that BECON has a lot of equipment throughout the District and about half has service contracts. He said BECON is looking for some designated Sprint funds to pay some of the expenses.

Ms. Shaw asked how much increase there would be for job description changes and how that affects the budget. Mr. Reynolds is trying to work within the budget, and he gave examples of how he is working within the budget.

Mr. Barry asked if fraud was found, and Mr. Broline answered, "No."

Mr. Mayersohn asked if it is financially prudent to have a TV station in the District with further comments.

Mr. Barnes indicated he needs to see a plan before everything goes forward and before the job descriptions get created. He asked when the plan will reflect changes. Ms. Koch's vision is the first step to the plan. Also, Ms. Koch has a strategic plan she is chairing some items and identifying funding opportunities. On the timing, she has the job description to be done in 2020 and to be consistent with the strategic plan.

Mr. Barnes asked who determines the risk factor as high or moderate. Mr. Broline responded that they work with the Chief Auditor to determine the risk factor. Mr. Barnes feels more items need to be marked high risk.

Ms. Fertig asked if the department has a community advisory committee, and Ms. Koch said she would welcome that input. Ms. Fertig indicated they would discuss that in the future.

In ending, Mr. Broline thanked the team for their cooperation with the audit.

Formal Motion to transmit the Carr Riggs Ingram Report – BECON Follow-Up was made by Mr. Mayersohn and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

RSM Report – SMART Bond Program Management

Mr. Jabouin stated that in January, the OCA took responsibility for managing the audits of the SMART bond program manager and the owner representative. RSM now reports to the Chief Auditor and he will determine the scope of their work. He is provided updates on the progress of their work. This is the Quarterly report. He indicated that he has created a strategy and will look at projects from beginning to end. Attending to present are Mr. Luker, Mr. Blondell, Mr. Girardi, Ms. Carpenter, Mr. Jardine, Ms. Meloni, and Mr. Archer.

Mr. Luker gave a summary of the report. This is the first report through internal audit to the Audit Committee. This reporting period is based around procurement of design professionals and the design process. He stated that RSM performs regular reviews of both Atkins and CBRE|HEERY's monthly invoice submissions. Also reviewed is the detailed supporting documentation for accuracy and completeness. Discussed in detail were the observations and recommendations. For itemized explanation, please refer to the audio of the meeting which is available at <https://www.browardschools.com/Page/34791>.

Ms. Fertig referenced page 10 regarding a comment on the learning curve. Mr. Girardi explained that it took a little longer than expected working with new companies. The learning curve had to do more with the processes and procedures. This is a previous issue and not an issue now. Ms. Fertig questioned the answer that there is a steep learning curve. In the future, she would like a better explanation rather than that of a steep learning curve as it relates to the delay. She also asked if it were calendar days, and the answer was yes.

Mr. Girardi responded to the learning curve. He explained that the department was 165 people in facilities, and when the bond went out, it had been reduced to 12. Ms. Fertig says that information should have been included in the report. Mr. Jabouin stated that discussed in some of the fieldwork, some of the delays were by design. Mr. Jardine responded to that by saying they intentionally slow walked some of them. He stated they knew they were having some issues, and they purposefully slowed down the process.

Ms. Fertig expressed that she was happy there is an outside auditor doing this audit and is glad it's the ones who actually were involved with the contract creation. She indicated that it should be included in the report as an explanation as to what happened.

Dr. Lynch-Walsh asked some acronym questions and discussed this would be discussed at the Facility Task Force meeting. She also discussed how the design work flooded the market. This report describes the “what” is happening, but she would like it to show more “why” it is happening.

Dr. Lynch-Walsh discussed that the renewal of HEERY’s contract that went to the Board on August 6, 2019. Her concern was that this report hadn’t gone to the Board prior to the renewal. Mr. Jabouin stated that he worked with Mr. Girardi and assisted with the evaluation of HEERY and their compliance with the findings and their cooperation during the course of the audit. It was provided in the evaluation that was used for the consideration for their renewal.

Dr. Lynch-Walsh stated that these reports shouldn’t have this much meat on it and that’s why a Chief Facilities Officer is needed. She stated that this shouldn’t be happening. Project managers are not doing what they should be doing, and she wanted an update. Mr. Jabouin stated that follow up is going to continue to occur. The next report will include follow up of these issues.

Ms. Dahl stated that she is very concerned and disillusioned that it took so long to find these issues and asked what they believe the time will be to complete. Mr. Girardi stated that two are done, and four are in closeout. He estimates 16 - 18 month in delays. Ms. Dahl then inquired as to how much over the amount it is for the cost of the project. Mr. Girardi stated the original estimate and that Atkins has a more accurate amount of \$436 million over the original amount.

Mr. Jabouin stated that this the first of many reports that will be done on the SMART bond. He stated the audit program will include areas that Dr. Lynch-Walsh indicated earlier. Different processes and risks are being identified as the audits continue, and there will be more to come.

Ms. Fertig moved to transmit with a revised explanation of the response of what has occurred with a more realistic response regarding what has caused the delay.

Formal Motion to transmit the RSM Report – SMART Bond Program Management with further explanation to clarify the response of what occurred was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

MSL – Required Communications Under Government Auditing Standards

Mr. O’Keefe and Mr. Castenada from MSL were unable to attend, and Ms. Davis from S. Davis & Associates has been asked to review the report with the Committee. Ms. Davis discussed the report at a high level and then answered questions. For more specific information, please refer to the audio of the meeting which is available at <https://www.browardschools.com/Page/34791>.

Mr. De Meo referenced page three and asked the Chief Auditor if any other items should be included. Mr. Jabouin responded that from an audit standpoint, he did not see anything that needed to be added.

Formal Motion to transmit the MSL Report – Required Communications Under Government Auditing Standards was made by Mr. Mayersohn and seconded by Ms. Shaw. The motion passed unanimously.

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

Mr. Jabouin announced that when he started, the Internal funds department was behind on 208 audits, and at this time, all schools have been completed and caught up for the first time in nine years.

Formal Motion to transmit the Internal Funds Audit of Selected Schools was made by Mr. Mayersohn and seconded by Ms. Fertig. The motion passed unanimously.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Jabouin briefly mentioned the property and inventory process improvement initiative that he and Ms. Arcese from the OCA have been working on with other departments in the Districts. Mr. Mayersohn posed the question regarding how some schools are doing it [the audit process] great and some are not. Ms. Fertig mentioned that she likes the surplus chart and it is a great improvement. For more information, please refer to the audio file of this meeting which is posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to transmit the Property and Inventory Audits of Selected Locations was made by Ms. Fertig and seconded by Mr. Mayersohn. The motion passed unanimously.

Proposed Audit Plan

Mr. Jabouin discussed the process for the Audit Plan. He stated that an assessment was not done last year as he was only employed for a month. This year's Plan has been better prepared, and an assessment has been made. He stated he attends the Board meetings and see the issues, and in future years, he will be even more aware of the risks. In future years he may engage a firm to assist with that process. Mr. Jabouin has gone through general ledger, going through the variety of contracts, legal contracts, procurement contracts, intergovernmental agreements, looking at the non-SMART bond projects, looking at the maintenance contracts, looking at the variety of information technology, applications and systems, and looked at Miami-Dade and Palm Beach to see what their focus is on in those districts. On pages 1-3, the report shows the primary function of his function is to assist the School Board and Superintendent with their oversight and fiscal management policies, to assist the Audit Committee with their advisory responsibilities, and to assist with District management on their strategic operational responsibilities. The scope of the OCA includes tests for the adequacy and effectiveness of the District's internal controls and the quality of the performance of assigned responsibilities throughout the District.

The plan provides reasonable assurance on the reliability and integrity of information, compliance with policies and procedures, and the safeguarding of assets. Mr. Jabouin indicated that reasonable samples were used in making sure all governmental auditing standards were in compliance. The assessments determine the high-risk areas.

Mr. Jabouin discussed the areas for audit. Internal Funds of all 226 schools is required, as well as the property and inventory. There is the discipline audit work, the areas of the charter schools, and the operational area is a miscellaneous area of audit work. Operational audits currently include the vending machine audit. There is also the facilities audit work and information technology.

The individual audit explanation starting on page 6 was discussed by Mr. Jabouin. More in depth detail of the audits can be found on the audio file of this meeting which is posted at <https://www.browardschools.com/Page/34791>. Also discussed were some audits an outside company or consultant will be brought in to complete, and the P-card audit that is an important area this year.

Mr. Jabouin discussed the follow-up process he has implemented, and it will go back to 2017 to begin the database. This is a process the OCA will be building for audits going forward.

He discussed projects that take significant time but yield no audit report such as the inventory process improvement project, internal funds initiatives, charter school work that is done, and facilities meetings and

initiatives. Also, significant time is spent with the Auditor General and has yielded less findings on the audits.

Mr. Jabouin discussed potential audits for the future as all audits cannot be done in year one. Some of the long-range audits could be moved up if necessary or if the current audits cannot be done due to scheduling or conflict. It is ambitious, especially looking at adjoining counties' audit plans.

Dr. Lynch-Walsh referred to page 9 regarding the follow up on audits since 2017. She mentioned a 2016 SIU audit and Pathways Charter School audit that yielded findings and should be included on the follow-up sheet. Mr. Jabouin stated he needs a starting point and mentioned that if the committee identifies a specific audit for an update, he could put it on the Agenda. He would like to build the follow up going forward. Dr. Lynch-Walsh stated that she wants the two audits added to the follow-up spreadsheet, not all audits from 2016 to show that follow up was put in place.

Ms. Fertig stated that perhaps we could have an update rather than build from an earlier date. She would like an ESE audit update as to what has been done since the audit. Also, Ms. Fertig would like an update on the SMART bond audit, updating the key points. Mr. Jabouin stated that if it is brought to his attention, he will listen and evaluate to determine the necessity of an update.

Mr. De Meo, although in favor of the plan, suggested to take two to three hours to gain understanding of the underlying process and discuss in more detail without revealing confidentiality be discussed at a later date. He would like to see the risk assessment, strategic plan and budgeting, and the controls over that and the process. Also, internal controls in general, security policy and procedures with compliance, and independence. Mr. Jabouin suggested having a one on one meeting with Mr. De Meo to discuss.

Dr. Lynch-Walsh asked if the Facilities Task Force motion was being addressed by the OCA. Mr. Jabouin responded the official response indicated that the OCA would address the FTF concerns.

Ms. Fertig added that she would like the Evergreen audit added to the audit plan, and Mr. Jabouin indicated that Dr. Hickman's area will be providing an update. Mr. Runcie added that it would be added to the next Audit Committee.

Ms. Shaw recommended that the audit plan be approved as it is a live document and will be adjusted throughout the year.

Formal Motion to transmit the 2019-2020 Audit Plan was made by Ms. Shaw and seconded by Ms. Fertig. The motion passed unanimously.

Chief Auditor's Report

Mr. Jabouin updated the Committee and referred to page 2, changes to the OCA headcount. He further discussed where the OCA was regarding the hiring process of several open positions. He feels the OCA can execute the Audit Plan when fully staffed.

Mr. Jabouin also discussed Academic Solutions and the current status. He stated that it will be a lengthy process and went into further detail of current status. Mr. Jabouin discussed the RFP's that will be going to the Board within the next month.

Mr. Jabouin discussed that the payroll process kicked off in July and how the OCA will audit this item going forward. Ms. Dahl was surprised at the difference in the timeframe of savings for the payroll changes from 18 months to 6 months.

He further discussed the follow-up process and stated that he will start from 2017, and as the OCA catches up, they can go back to an earlier timeframe.

Mr. Jabouin suggested to please do as Mr. Mayersohn has done and send him an email to request an update on a previous audit.

Mr. Jabouin discussed the FTF motion and explained he wanted to see what it encompasses before he commits. For more details regarding the Chief Auditor's Report, please refer to the audio file of this meeting which is posted at <https://www.browardschools.com/Page/34791>.

Audit Committee Member Comments

Dr. Walsh discussed the process of receiving the audio recordings of the Audit Committee meetings. Mr. Jabouin gave an update. He explained that previously BECON did not provide the digital version of the recording, only the cassette version was available. BECON has since converted all Audit Committee meetings from last fiscal year to digital.

Mr. Mayersohn would like a copy of the recordings to be on the website with the minutes. Ms. Dahl thought we went to the new style of minutes because the audio was accessible. Ms. Shaw would also like minutes and audio to be posted on the website.

Formal Motion to request the approval to post digital audio to the OCA website from 2018 going forward was made by Ms. Fertig and seconded by Ms. Dahl. The motion passed unanimously.

Additional conversation regarding Sunshine and how to transmit information within the Audit Committee was discussed. Mr. Mayersohn suggested to either bring a copy to the meeting or send it to Mr. Jabouin to distribute. He mentioned as new members may be appointed, he wouldn't want to see Sunshine Law broken if someone responded to the email.

Adjournment

Formal Motion to adjourn made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

Meeting Adjourned: 2:44 P.M.