

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

November 21, 2019

Mr. Robert Mayersohn, Vice Chair, called the Audit Committee meeting to Order at 11:30 A.M. at the Kathleen C. Wright Building in the 1st Floor Board Room. Mr. Mayersohn led the Pledge of Allegiance to the Flag of the United States of America. Members and Staff were introduced.

Members Present:

Mr. Robert Mayersohn, Vice Chair
Ms. Rebecca Dahl
Mr. Anthony De Meo, CPA
Ms. Hagen Disch
Ms. Mary Fertig
Ms. Stacey Kotzen, Esq.
Dr. Nathalie Lynch-Walsh
Mr. Andrew Medvin, CPA
Ms. Connie Pou, CPA
Ms. Phyllis Shaw

Staff Present:

Mr. Robert Runcie, Superintendent of Schools
Mr. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Judith Marte, Chief Financial Officer, Office of the Chief Financial Officer
Mr. Maurice Woods, Chief Strategy & Operations Officer, Office of the Chief Strategy
Operations Officer
Dr. Valerie Wanza, Chief Officer, Office of School Performance & Accountability (OSPA)
Ms. Erum Motiwala, Director, Accounting & Financial Reporting
Ms. Gerrilyn Arlotta, Assistant Director, Accounting & Financial Reporting
Ms. Vivian Pilar, Account V, Accounting & Financial Reporting
Ms. Danielle Mamede, Assistant Director, Procurement & Warehousing Services (PWS)
Ms. Marissa Smith, Senior Process Analyst, PWS
Ms. Ali Arcese, Manager, Property and Inventory Audits, OCA
Mr. Gerardo Usallan, Manager, Facility Audits, OCA
Ms. Meredith Arlotta, Manager, Operational Audits, 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. Dan O'Keefe, Moore Stevens Lovelace, CPA & Advisors

Mr. Eddy Castaneda, Moore Stevens Lovelace, CPA & Advisors

Ms. Tanya Davis, S. Davis & Associates

Mr. Scott Travis, Sun-Sentinel

For more details regarding this Audit Committee meeting, please refer to the audio file of this meeting which is posted at <https://www.browardschools.com/Page/34791>.

Administrative Matters

Mr. Jabouin stated that the form, *Acknowledgement of School Board Advisory Committee Members Responsibilities Form*, has been updated and will need to be resigned. The update can be found on paragraph 4, page 1 of 2. The first sentence has the words SBBC added two times. Now the sentence reads, "I acknowledge that, except as expressly waived by SBBC, I may not have or hold any employment or contractual relationship with any business entity or any agency which is subject to the regulation of SBBC, or is doing business with SBBC, while serving as an SBBC advisory committee member."

Mr. Jabouin informed the Committee that *Form 8B Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers* is available should it be needed.

Mr. Jabouin discussed the timeframe of the meeting and discussed that there is a meeting directly following the Audit Committee Meeting that could not be moved and indicated some timeframes are listed on the Agenda; however, they are indicated as a guide.

New Business

Minutes

The Committee discussed the Minutes from the meeting of October 10, 2019. It was noted by Ms. Fertig and Ms. Dahl to make the font larger on the minutes.

Ms. Fertig also talked about adding more content to the minutes, and Dr. Lynch-Walsh add that the closed captions have errors, particularly with the names of persons.

For more information regarding the October 10, 2019 Minutes, please refer to the Minutes posted at <https://www.browardschools.com/Page/34791>.

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

Nominating Committee Minutes

The Committee discussed the Minutes from the meeting of October 10, 2019 Nominating Committee. No questions were noted.

For more information regarding the October 10, 2019 Nominating Committee Minutes, please refer to the Minutes posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to request the approval of the minutes was made by Ms. Dahl and seconded by Mr. Medvin. The motion passed unanimously.

Introduction

Ms. Pou was introduced as a new Audit Committee member appointed by Mr. Runcie. Ms. Pou stated she is a CPA. She recently retired from Miami-Dade County Public Schools where she had worked for 30 years. During the last 18 years, she was the Controller. Other positions held were the Assistant Controller, Payroll, Grant Accounting and Cost and Business Services. As the Controller, she was responsible for Accounts Payable, Payroll and Cost and Business Services and general accounting. She currently lives in Southwest Ranches and has two grandchildren attending Broward County Schools.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Jabouin discussed the Property and Inventory Audit which included 24 locations. He mentioned that since the report was provided to the Committee, there were a couple of minor changes that he wanted to announce.

The list of School Board members located on the second page has since changed. Effective Tuesday, November 19, 2019, the Board Chair is now Ms. Donna Korn, and the Vice Chair is Dr. Roslyn Osgood. The copy that will be transmitted to the Board at its December 10th meeting will reflect the current Chair and Vice Chair. Also, this change will be reflected in the letterhead. Mr. Jabouin also indicated another item on page 6 which reflects two exceptions, and it should read, no exceptions on that page.

Mr. Jabouin discussed that his team is working with Mr. Woods, Mr. Phillip Dunn, Dr. Wanza and Ms. Marte as they are reviewing the inventory process from ordering, to goods receipt, to accounting for it. They are reviewing the process and any control gaps. They have documented the process flow and are deep into the process. They will have some recommendations to present to Cabinet on some controls which will be discussed at a later time.

Dr. Lynch-Walsh had questions on page 15 where it mentions items that are high risk and prone to theft, and it mentions interactive whiteboards and interactive flat panel displays. She wanted to know the difference between the two. She mentioned that in two earlier audits from this year, one school, Challenger, had Promethean boards go missing, and then six Promethean boards went missing from Dillard. She asked if those were considered interactive whiteboards or flat panel displays. Ms. Arcese answered that the boards from Dillard were not missing, but they were

surplussed within their useful life. She discussed that there was not documentation to substantiate if they were working or not working. A discussion regarding Promethean boards and Recordexes was discussed, and it was asked that Ms. Arcese find out for the next meeting the differences between the boards, the functions they serve, and the pricing. Ms. Arcese would reach out to the IT department on the questions regarding the boards and also find out what is specifically on inventory. Dr. Wanza discussed that it's a school-based decision, and they can choose from the approved items list as to which board better serves their school, curriculum needs, and budget.

Ms. Fertig suggested to get a written memo so it could be read on their own and not necessarily have to be added to the next agenda unless there was a feeling from the group to do so.

For more details regarding the Property and Inventory Audit, please refer to the Internal Audit Report – Property and Inventory Audits posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to transmit the Property and Inventory Audits of Selected Locations with the changes noted by the Chief Auditor was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

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

Mr. Jabouin discussed that the report is a standard internal funds report for 17 schools. The specific schools that were reviewed are listed in the table of contents. As in the previous audits, this scope of this review included the accounting for monies that are generated and use within the school for school activities. Generally, the sub funds are athletics, music clubs, class funds and so forth. The OCA reviewed for compliance with the District's policies and procedures and reviewed for receipts, disbursements, and the balance in the accounts. These 17 schools that were reviewed had a good audit. The schools were found to follow the prescribed policies and procedures.

Mr. Jabouin had some minor changes, similar to the previous audit, as far as the change in Board members that follow the cover page as well as the letterhead. Mr. Jabouin also noted a change on page 28 and left a copy of the new page at each member's seat. There was a mathematical error. The balance on that page was \$81,467.41, but the true balance is \$81,467.51. He also mentioned that subsequent to the last meeting when the Millennium audit was reviewed, he is working with the Treasurer's office to be able to perform a blanket confirmation that would allow the OCA to identify other accounts that may be used for the flow of funds. Mr. Jabouin mentioned that he is unsure if the OCA would have the right to review them, but at least they can start asking the right questions that may allow them to identify any activity that would not have normally been found.

Ms. Disch asked about the question brought up at the last meeting regarding material weakness on page 2. Mr. Jabouin stated that on the property and inventory audit, verbiage was changed, but in preparation for a peer review, he found out that the previous language was the correct language in accordance with governmental auditing standards. The language in this internal funds report needs to stay. Mr. Jabouin did change the language with respect to the comment that Mr. De Meo had made in order to get away from the public company definition. However, he shouldn't get away from that as to stray from governmental auditing standards. The correct language was in there before and should not be changed. Ms. Disch also suggested that in the future to send a red-line

version to show a track change. In closing, Ms. Fertig stated her appreciation to the schools and to Dr. Wanza for all of the hard work.

For more details regarding the Audit of Internal Funds of Selected Schools, please refer to the Internal Audit Report – Audit of the Internal Funds of Selected Schools posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to transmit the Internal Funds Audit of Selected Schools with the amendments from the Chief Auditor was made by Ms. Fertig and seconded by Mr. Medvin. The motion passed unanimously.

Comprehensive Annual Financial Report – June 30, 2019

Ms. Marte announce that on behalf of the administration, they were presenting the Comprehensive Annual Financial Report (CAFR). She stated it is an unqualified opinion, and there are no findings. Ms. Marte thanked the Accounting and Financial Reporting Director, Ms. Motiwala. She stated, the District is very, very lucky that she chooses to use her talents to better the work at the School District. Ms. Marte continued and also thanked Moore Stevens Lovelace for their professionalism with which their staff conducted themselves.

Mr. O’Keefe of Moore Stevens Lovelace spoke and thanked the staff for their efforts. He stated that a lot of information is requested, and he has a lot of staff in the field requesting it all at the same time. Mr. O’Keefe stated, “that as a CFO mentioned, it is a unqualified opinion that we have issued, and this, as you know, relates just to the financial statements. There are still some reports to come. This has to get done in order to file by the deadline of 12/31 to the Government Finance Officers Association.” He also mentioned that all the other reports are in draft form and will be presented at the next meeting in final form.

Mr. Castaneda then stated some required communications from our audit standards that are required to be communicated to the Audit Committee and then opened the floor to questions.

Ms. Pou asked if they would receive a management letter. Mr. O’Keefe stated yes; all those reports will be issued later. He stated that this report is just the audit report on the financial statements, but a management letter is forthcoming. He also mentioned the Audit Committee would receive the single audit report, and the report on internal control and compliance. Ms. Pou followed up by thanking staff as the CAFR is a wonderful book and very comprehensive. She also stated that the notes are extremely clear.

Ms. Marte wanted to note for the record that the financial reporting staff has received recognition from the Association of School Business Officials (ASBO) and Government Finance Officers Association (GFOA) for the report. She appreciated Ms. Pou’s acknowledgement having done this herself for 20 years. Two years ago, when Ms. Marte became the CFO, she was approached by ASBO, and they requested that this report be used for a training guide for new controllers across the country because of the caliber of work that Ms. Motiwala has done. She continued to say that's a really good honor for this District.

Mr. O’Keefe mentioned that only about 30 school districts in the state of Florida are audited by external auditors. The rest of them are audited by the Auditor General, and only about 12 of them take the time to prepare a Comprehensive Annual Financial Report. He continued to state that for this school district, it is huge. It’s a massive document. A lot of time and effort has to go into preparing this document.

Ms. Disch inquired if this report is required. Mr. O’Keefe stated that the District is not required by law to have a Comprehensive Annual Financial Report, and it is something that is elected. He further stated that a school district this size, there is so much useful information that goes into this document. He mentioned the statistical section, and that there is 10 years’ worth of trend data. He also stated that there is far more information in this CAFR than in a standard school district audit by done by the Auditor General.

Ms. Pou stated that for a public entity, it is important. It’s important for the District’s ratings for the bond ratings, for Moody’s, and for loans. It is very important. Ms. Marte added by saying that the rating agencies expect this level of detail, and when the District goes out to get rated, they go through this book page by page and will spend hours in conference calls with their evaluators going through this book.

Ms. Disch’s concern was that the District was giving too much information, and perhaps it would bring back too many questions. She asked if it is all necessary. Mr. Runcie answered that half his career was working in the private sector, and that is true for private entities. However, in the public sector providing more information is better. Ms. Kotzen continued her questions and asked about the FEMA reimbursement for Hurricane Irma 2017. Ms. Marte answered that to date, the District has received \$1.4 million. She continued that the District filed a budget amendment two board meetings ago to recognize the first bit of revenue. Unfortunately, getting the money from FEMA takes years. The insurance is all paid and is part of the \$1.4 million. Mr. Casteneda stated that the program FEMA was selected in the current year depressed single audit, and more information will be provided to at the next meeting.

Ms. Disch continued her comments regarding capital leases and leases on technology. For more information, please refer to the audio located at <https://www.browardschools.com/Page/34791>.

Dr. Lynch-Walsh asked about accounts payable in terms of materiality. She asked if the \$800,000 owed to a vendor fell beneath the threshold in terms of things in which the auditors would be looking. Mr. Casteneda replied that it would depend on various levels of where this accounts payable was being reported, what fund specifically. The \$800,00 does seem to be below the threshold for materiality based on the size of the numbers that they are talking about. If it was paid as of June 27th, that wouldn’t show as accounts payable because it got paid three days prior to the point in time they are auditing. They audit on that day for balance sheet items.

Dr. Lynch-Walsh next asked a question pertaining to page 188 (also mentioned on page 8) regarding the certificates of participation and what they pertain to. Ms. Marte responded that it is how the schools are funded. As a follow up item, Ms. Marte will provide a list of all the different schools as it is historical debt spanning 20 years. Ms. Motiwala followed up with stating that Footnote 11 on page 60 also goes into detail about the certificates of participation.

Ms. Shaw wanted to compliment the team for putting the CAFR together as it is a really good book.

Ms. Fertig made a comment referring to the certificates of participation. She stated that the last bond prior to this one was in the late 80's. Also, for many of the years in between, when we all came and advocated for schools, they were being funded by the certificates of participation. She is also interested in seeing and knowing how much was out there. She thinks it is good to be aware of where that money is going. Ms. Fertig also stated that she thinks it's important for the community to have a recognition of what has happened with our schools, not just what is happening today, but to see the historical data. She stated that she is glad Ms. Marte will be doing that as it will help the community to understand a lot about what has gone into building the schools and making them what they are today. Ms. Fertig ended by saying thank you to staff, and she hopes that Ms. Marte brings her team to the School Board meeting so they could have public recognition.

Mr. De Meo asked a series of questions he described that would yield information that's descriptive about the audit process of which he is most concerned, and Mr. Castenada and Mr. O'Keefe discussed the informational questions. Mr. De Meo inquired about the audit methodologies used by MSL and how they applied audit standards and practices. He then thanked everyone for another professional job and complimented the great work.

For more details, please refer to the audio file of this meeting which is located at <https://www.browardschools.com/Page/34791>.

Mr. Medvin wanted to share his appreciation for the beautiful report, and everything was conducted very professionally and stated that it is very important in today's world.

Mr. Mayersohn stated he agreed with his colleagues, and that this is a great report. He continued by letting Ms. Marte know that she's done a great job and is definitely a great asset.

Mr. Runcie stated that he appreciated the feedback from the Audit Committee. He thanked staff for their efforts and agrees that it is some outstanding work and will continue to try to make sure that this level of quality information continues to be presented this Committee and to the public.

For more details regarding the Comprehensive Annual Financial Report, please refer to the Comprehensive Annual Financial Report posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to transmit the Comprehensive Annual Financial Report – June 30, 2019 was made by Ms. Shaw and seconded by Ms. Fertig. The motion passed unanimously.

OCA Audit Report – Purchase Cards

Mr. Jabouin stated the Purchase Card Audit is an audit of the purchase card process. He stated that this audit was affected by the timing of different reviews that were being done. For example, the Auditor General was doing an audit of the purchase card process. Moore Stevens Lovelace also reviewed that as part of their previous year, and the Auditor General did a follow up. As far

as the time of when he released this audit, he wanted to make sure that all of the follow up had been done in order to provide a report that is not repetitive of the findings of the different audits that are being done. This allowed Mr. Jabouin to understand the scope of those different reviews. He stated that some of the findings that are in this report are some of the same items that the Auditor General found.

Mr. Jabouin discussed the audit process that took place for this audit and the sampling of transactions. He continued and described the activity that was seen in the purchase card process. During the course of this work, the OCA did have conversations with Procurement, and they have put in some procedures and controls to enhance that process. Mr. Jabouin stressed that it's very dependent on the user of the purchase card and using the card in accordance to policies and procedures. There is an initiative that is being done by Treasury under Ms. Marte who is working with Procurement under Mr. Woods where there can be some preventative controls by blocking certain merchants and transactions on specific users. As a result of some of this work, some of the departments have reviewed their purchase cards and have turned them back in.

Mr. Jabouin discussed Observation #1, applications, and went over those observations and what was looked at in those observations. The Committee discussed implementing preventative controls and strong vendor acceptance controls. They also discussed the language in the manual.

It was discussed that the cardholders were required to take the training and fill out a new application. Otherwise, their PCard was revoked. Some cardholders chose to turn in their PCard for various reasons, one being that the travel policy has changed. The updated PCard manual was discussed, and it has been pushed out to all PCard holders as well as being posted to the website. It was noted that no PCards that were issued for emergencies were turned in or revoked, and all those cardholders were in compliance. All current PCard holders as of November 15, 2019 are in compliance.

The issuance of the PCards is a two-stage process, and that process was reviewed. It was stated that all PCards are issued through the PCard department. Ms. Smith reviewed what was presented at the training classes and discussed the requirements.

The historical data regarding the applications was discussed. Mr. Jabouin stated that he could provide the information regarding the applications and what was not found; however, he explained that they are focused on how the control is going to be done correctly going forward.

Observation #2 discussed the Statements of Financial Interest. It was discussed that they will work with Human Resources, who provides the list to the state, and a comprehensive list will in turn be sent to the state for filing. It was discussed that the amount had changed from \$20,000 to \$35,000.

The enforcement and the penalties were discussed, and Ms. Fertig showed concern that the appropriate people fill out the form. Ms. Fertig would like to know everyone who is required to fill out the form, and the percentage of people who have done it. It was discussed to have something in place to ensure everyone who is required to fill out the form does so.

Adding more specific language by adding a few sentences was discussed to ensure Human Resources transmits the appropriate information on who needs to fill out a form and to ensure it is

done. Mr. Jabouin stated that Human Resources has been sending the form; however, previously, the list was not complete.

Observation #3 is regarding providing signed bank statements which are to be sent with the appropriate documentation. Mr. Jabouin discussed this observation and noted the list of departments who did not send it in, were late, or the statement was lost in transmission. He provided Cabinet with this information, and they went through that list, and they committed to improving that process. The statements need to be provided to Procurement within the designated timeframe with the accompanying documentation, and the level of compliance on this needs significant improvement. Mr. Jabouin stated that they did receive action plans from the Cabinet members.

Discussed was the fact that the list was inclusive of much of the District. Mr. Jabouin stated that it was aggregated at the Chief level, and it was not a focus of any one area, but a focus on the process. He discussed that during the follow ups and reviews of this area, he will know who isn't in compliance. It is currently District-wide. He mentioned that he does have data if he needs to treat it as a repeat finding in the future.

Mr. Woods spoke about how they were going to improve to ensure compliance across four key areas and now has an escalation plan. In the future, he will be able to filter by department and by individual. This will be now be monitored on a monthly basis, and it will be addressed at the top of the organization.

Ms. Fertig stated that the PCard audit was excellent.

In closing, Mr. Woods wanted to thank his staff as there was a tremendous amount of work that went on behind the scenes in a very short amount of time to really put in some well-structured controls and processes, and he asked to acknowledge them for that hard work.

Formal Motion to move the Purchase Card audit to the next meeting on January 30, 2020 and to include updated information on items out of compliance, and if something is out of compliance to add the monetary value was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

Chief Auditor's Report

Due to lack of time, this Report was not discussed, and a Formal Motion was made for the members to read the report outside of the meeting.

For more details regarding Mr. Jabouin's Chief Auditor's Report, please refer to the Chief Auditor's report posted at <https://www.browardschools.com/Page/34791>.

Formal Motion to read the Chief Auditor's Report and to contact him directly if there are questions and to have the Report in the record was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

Public Comments

No public comments.

Mr. Jabouin explained that going forward, he is asking individuals who intend on making public comments to sign in and to indicate the subject. He continued and stated that he can then add them to the correct area of the agenda. Also, if they are talking about an item that is not on the agenda, then they will be heard in the public comments section.

Audit Committee Member Comments

Ms. Fertig discussed that the PPO Assessment that was done by The Council of Great City Schools is an excellent document and believes it would have been a value to have had it at the Audit Committee when it was completed because the Committee has had so many conversations about the issues that are contained within the document.

Formal Motion to place The Council of Great City Schools PPO Assessment on the January 30th agenda, and to send it to the Committee prior to the meeting was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously

Adjournment

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

Meeting Adjourned: 2:03 P.M.

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