

CHIEF AUDITOR'S REPORT

Joris M. Jabouin, CPA
Chief Auditor
Office of the Chief Auditor
School Board of Broward County, Florida
November 21, 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 October 10, 2019.

GENERAL ACTIVITIES

1. The Chief Auditor participated in the Superintendent's weekly Cabinet meetings.
2. The Chief Auditor presented the following reports at the November 6, 2019 School Board Meeting:
 - Internal Audit Report – Audit of Internal Funds of Selected Schools
 - Internal Audit Report – Property and Inventory Audits of Selected Locations
 - RSM Report – SMART Bond Program Management
3. The Chief Auditor attended various other School Board meetings and workshops and monitored agenda items for issues where audit coverage may be needed.
4. The OCA continued the recruiting process to hire new auditors, consistent with the Chief Auditor's presentation at the October 30, 2018 School Board Workshop. Please also refer to the organization chart at the end of this report and note the following:
 - Four new positions discussed at the 2018 workshop – Currently the OCA has filled two of the four positions. Searches to fill the two remaining positions are ongoing.
 - Information Technology Audit Manager – The OCA offered this position to a candidate but later withdrew our offer. We then re-advertised the position. OCA Auditor – IT, Ms. Jennifer Harpalani, then applied and was selected for the position.
 - Another Auditor position is open to replace an Auditor who left in February 2019.
5. OCA Inventory Audit Specialist, Ms. Karlyn Campbell, commenced her employment with the District on November 12, 2019.
6. The Chief Auditor, OCA Internal Funds Audit Manager, Ms. Ann Conway, and OCA Information Technology Audit Manager, Ms. Harpalani, met with Mr. Roderick Harvey from HCT Certified Public Accountants and Consultants on October 21, 2019 to discuss HCT's capabilities to potentially assist the OCA on our current and future initiatives.
7. OCA System Support Specialist, Mr. Bryan Erhard, and OCA Auditor, Mr. Eric Seifer, attended the Building Information Modeling meeting that is chaired by Director of Facilities, Mr. Chris Akagbosu.
8. OCA team members coordinated the current School Board Audit Committee meeting on November 21, 2019.

FACILITY AUDITS

1. OCA Auditor, Mr. Seifer, attended the Facilities Task Force meeting on November 7, 2019. He later summarized the meeting for the Chief Auditor.
2. The Chief Auditor and OCA Facility Audit Manager, Mr. Gerardo Usallan, and OCA Auditor, Mr. Seifer, met with RSM Director, Mr. David Luker, and RSM Manager, Mr. Matthew Blondell, on October 23, 2019 and November 8, 2019 to discuss the fieldwork and reporting on the RSM engagement on the SMART Bond.

INTERNAL FUND AUDITS

1. OCA Internal Funds Audit Manager, Ms. Conway, completed audits of the internal funds of 17 schools and centers. These audits are part of the Committee's November 21, 2019 agenda.
2. OCA Internal Funds Audit Manager, Ms. Conway, attended a meeting of the Policy 1341 (Facility Rentals) Committee led by the Director of Facilities, Mr. Akagbosu.
3. OCA Internal Funds Audit Manager, Ms. Conway, attended meetings related to the 2024 Strategic Initiative – Refresh, Redesign and Reduce Risk team meeting led by the District's Strategic Initiatives Management Executive Director, Dr. Deborah Posner, on November 15, 2019.

PROPERTY AND INVENTORY AUDITS

1. The Chief Auditor and OCA Property & Inventory Manager, Ms. Ali Arcese, attended meetings on the District's Tangible Personal Property Management Improvement Project on October 11, 2019 and October 25, 2019 and November 8, 2019.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, OCA System Support Specialist, Mr. Erhard, and Strategic Initiatives Management Coordinator, Mr. Peter Eschenbrenner, led meetings with the following areas to document the inventory process and controls as part of the Tangible Personal Property Management Improvement Project:
 - October 11, 2019 – Representatives from elementary schools, middle schools, high schools as well as department representatives and micro tech / inventory liaisons.
 - October 14, 2019 – Information Technology staff and Procurement and Warehousing Services staff
 - October 15, 2019 – Transportation staff
 - November 1, 2019 – ESLS Staff
3. OCA Property and Inventory Manager, Ms. Arcese, completed audits of 24 schools and departments. These audits are part of the Committee's November 21, 2019 agenda.

OPERATIONAL AUDITS

1. OCA Facility Audit Manager, Mr. Usallan, and OCA Auditor, Mr. Seifer, completed the work on the audit of the District's purchasing cards. The audit is part of the Committee's November 21, 2019 agenda.
2. OCA Operational Audit Manager, Ms. Meredith Filcman, and OCA Auditor, Ms. Elena Pritykina, continued working on fieldwork for the OCA's eventual audits of the District's Student Code of Conduct and compliance with school disciplinary policies. The team is now reconciling school documentation against documents in the discipline systems.
3. OCA Internal Funds Audit Manager, Ms. Conway, and OCA Auditor, Ms. Kashama Patel, continued working on the Healthy Vending Machine Audit.

INFORMATION TECHNOLOGY AUDITS

1. The Chief Auditor and OCA Information Technology Audit Manager, Ms. Harpalani, met with several audit firms to discuss the proposed scope for the information security audit requested by the School Board at their September 4, 2019 meeting. The meetings were as follows:
 - Carr, Riggs, & Ingram - Mr. David Mills and Mr. Robert Broline on October 11, 2019
 - RSM - Ms. Alexandra Lorie on October 15, 2019
2. OCA Information Technology Audit Manager, Ms. Harpalani, participated in the 2024 Strategic Plan Initiative - Data Governance team meeting on October 28, 2019.

CHARTER SCHOOLS AUDIT WORK

1. The Chief Auditor and OCA Charter Schools Audit Manager, Mr. Reynaldo Tunnermann, and OCA Auditor, Mr. Luis Castano, received and are now analyzing more documentation from Academic Solutions A and Academic Solutions High School, who hired an outside expert to conduct their own audit of the issues. Although their response accepted some of the issues, the OCA is currently testing the accuracy of their documents.
2. OCA Charter Schools Audit Manager, Mr. Tunnermann, attended the Charter School Monitoring and Oversight Committee meeting on November 20, 2019.
3. OCA Charter Schools Audit Manager, Mr. Tunnermann, and OCA Auditor, Mr. Castano, continued working on audits at four charter schools. The scope of those audits includes FTE verification, confirmation of security requirements, and a review of inventory purchased with public funds.
4. OCA Charter Schools Audit Manager, Mr. Tunnermann, completed the annual review of charter school financial statements on October 11, 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.

5. Based on the results of the annual review of charter school financial statements, the Chief Auditor, OCA Charter Schools Audit Manager, Mr. Tunnermann, Charter Schools Management Support Director, Ms. Donte Collins, and other District personnel conducted meetings on November 4, 2019 and November 5, 2019 with the following charter schools:

- Ben Gamla
- Somerset Academy
- Bridgeprep Academy
- Sunshine Elementary
- South Broward Montessori

Additional meetings will be conducted on December 6, 2019 and December 9, 2019 with the following charter schools:

- International School of Broward
- Charter Schools of Excellence
- Central Charter School
- Franklin Academy
- Innovation Charter School
- Championship Academy of Distinction
- Imagine Charter School

WORK WITH REGULATORS / OTHER AUDITORS

1. The Chief Auditor and OCA Audit Manager, Ms. Conway, continued to work on matters related to the ongoing Florida Auditor General's FTE Audit.
2. The Chief Auditor held several discussions with the Florida Department of Education's Office of Inspector General on various ongoing charter school investigations.

TRAINING

1. OCA Property & Inventory Audit Manager, Ms. Arcese, led our standard Property and Inventory Training to elementary school Assistant Principals on October 17, 2019.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, conducted a Property and Inventory Tips and Training session to Principals, Assistant Principals, Microcomputer Techs, and Inventory Liaisons on October 24, 2019.
3. The Chief Auditor and all OCA Audit Managers and all OCA Auditors attended the Marcum Government Symposium on October 30, 2019.
4. OCA Internal Funds Audit Manager, Ms. Conway, OCA Information Technology Audit Manager, Ms. Harpalani, and several OCA Auditors attended an "Introduction to SAP"

training provided by Information Technology Business Application Manager, Mr. Thomas Campbell, on November 4, 2019.

5. The Chief Auditor attended the Council of the Great City Schools Chief Financial Officers, Budget Directors, Procurement Directors, Internal Auditors & Risk Managers Joint Conference in Austin, Texas from November 12, 2019 through November 15, 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. Follow-up was also discussed at the September 4, 2019 School Board meeting.

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 findings from 2017 and 2018 and with 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. **Status (08/08/19):** The follow-up database has now been populated for most audits from fiscal 2017, 2018, and 2019. Once the findings from the reports from the June 20, 2019 Audit Committee meeting are entered, the database will be complete and ready to be part of two District-wide follow-up audits that will occur in fiscal 2020. **Status (10/10/19):** The database will be expanded to include certain audits before fiscal 2017 to address comments to the Chief Auditor at the September 4, 2019 School Board meeting. **Status (10/21/19):** The database has been expanded to include the specific audits requested by the School Board members.

- **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 (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 (10/10/19 & 11/21/19):** The OCA continues to recruit for the remaining two positions from the "Assessment of Responsibilities and Headcount" as well as another vacant position.

- **Audit Committee By-Laws**

Background: At the October 11, 2018 and November 15, 2018 and March 14, 2019 and May 2, 2019 and August 10, 2019 Audit Committee meetings, the meeting agendas included proposals to revise the Audit Committee By-Laws.

Status (10/10/19 & 11/21/19): The By-Laws were approved by the Committee at its August 8, 2019 and forwarded to the Chief of Staff who will eventually present them with the by-laws of other advisory committees for School Board approval.

- **Audit Committee Motion - SAP**

Background: At the May 2, 2019 meeting, the Committee passed a motion with respect to SAP. The official communication to the School Board and the response is noted below.

Motion: Formal Motion of the School Board of Broward County, Florida Audit Committee to recommend that the School Board of Broward County, Florida support and prioritize the necessary upgrades to the SAP system and allocate dollars necessary to complete this project as quickly as possible.

Response: The School Board members discussed this issue and the allocation of budget resources for this issue and other priorities at the School Board Workshop on May 28, 2019. The workshop documents included estimated costs of \$2.8 million for the redesign of Payroll and HR processes (please see page 11 of the workshop presentation documents for additional information).

During that May 28, 2019 workshop, several School Board members expressed a desire to proceed with this initiative. Based on that discussion, the Chief Financial Officer will continue to work with the Director of Procurement and Warehouse Services to potentially present documents to secure the necessary funding for this initiative at the June 25, 2019 School Board meeting.

Status (08/08/19): The OCA's proposed audit plan includes this initiative. **Status (10/10/19 & 11/21/19):** The OCA's audit plan includes this initiative.

- **Audit Committee Motion – Payroll Processing, Overpayments, Overtime.**

Background: At the May 2, 2019 meeting, the Committee passed a motion with respect to SAP. The official communication to the School Board and the response is noted below.

Motion: 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.

Response: The OCA is in the process of compiling the audit plan for fiscal 2019-2020. In response to the motion, an audit of payroll processing, overpayments, and overtime will be included in the draft audit plan as an audit that will start during the 2020 school year.

The audit may be performed by the OCA or an outside audit/consulting firm.

The audit fieldwork will avoid duplicating and/or delaying the District's ongoing Payroll Process Improvement initiative and the Redesign of the Payroll/HR Processes discussed by the School Board members at the May 28, 2018 School Board Workshop.

Status (08/08/19): The OCA's proposed audit plan includes this initiative. **Status (10/10/19 and 11/21/19):** The OCA's audit plan includes this initiative.

- **Facility Task Force Motion – RSM / SMART Bond**

Background: At its May 2, 2019 meeting, the Facility Task Force passed a motion that could potentially impact the OCA. The official communication to the School Board and the response is noted below.

Motion: Formal Motion of the School Board of Broward County, Florida's Facilities Task Force to have the Chief Auditor have RSM review the HEERY and Atkins sub-consultants what departments are they under, what purpose do they serve, how much are they costing, and to what budget(s) are their costs charged.

Response: The OCA is in the process of compiling the audit plan for fiscal 2019-2020. The draft audit plan includes several outsourced audits to RSM for the OCA's SMART Bond Quality Assurance testing, which includes a review of HEERY and Atkins' compliance with their contract and the related RFP documents.

In response to the motion, one of the audits can include procedures for a review of the sub-consultants (or a sample of sub-consultants if the number of sub-consultants is substantial) for the points in the motion as well as other points that are significant to the overall SMART Bond program.

The Facility Task Force should note that although the scope of one of the planned RSM audits can include such a review of the sub-consultants, the audits report findings/issues on an exception basis. If findings/issues are noted, they will be disclosed with the management action plans for correction and a due date for compliance. Any findings/issues noted would also be followed up by RSM and/or the OCA. However, if no findings/issues are noted, the report will only indicate that the sub-consultants were reviewed with a brief discussion of the procedures performed.

Status (10/10/19): The HEERY and Atkins sub-consultants are in scope within the program. We understand the concern, and we will determine the extent and number of sub-consultants tested. **Status (11/21/19):** Fieldwork has been performed for this issue and will be reported on a future report during fiscal 2020.

OFFICE OF THE CHIEF AUDITOR ORGANIZATION CHART

(November 15, 2019)

