

CHIEF AUDITOR'S REPORT

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Chief Auditor
Office of the Chief Auditor
School Board of Broward County, Florida
January 30, 2020

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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 November 21, 2019.

GENERAL ACTIVITIES

1. The Chief Auditor attended various School Board meetings and workshops and monitored agenda items and discussions for issues where audit coverage may be needed.
2. The Chief Auditor participated in the Superintendent's weekly Cabinet meetings.
3. The Chief Auditor participated with other Cabinet members during the Collaborative School visits and Data Dive on December 2, 2019 that was led by Chief School Performance and Accountability Officer, Dr. Valerie Wanza.
4. The Chief Auditor presented the following reports at the December 10, 2019 School Board Meeting:
 - Internal Audit Report – Audit of Internal Funds of Selected Schools
 - Internal Audit Report – Property and Inventory Audits of Selected Locations
5. 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). Currently, the OCA has filled three of the four positions (net of turnover that we experienced this past year) and a search is currently in process to fill the remaining position.
6. OCA Facility Audit Manager, Mr. Gerardo Usallan, informed the Chief Auditor on January 6, 2020 that he will be retiring near the end of the third fiscal quarter. The Chief Auditor appreciates his work and also appreciates that he will remain with the OCA until his retirement.
7. OCA Auditor, Ms. Kathleen Watson-Wilkin, commenced her employment with the OCA on January 21, 2020. Her position is the third of the four new positions.
8. The Chief Auditor met with Ms. Marcia Carty of Cummings-Grayson & Co. on January 8, 2020 to establish an engagement for a Quality Assessment (Peer Review) of the Office of the Chief Auditor.
9. Cummings-Grayson & Co. commenced the fieldwork for the Peer Review on January 15, 2020. The Chief Auditor had several meetings with Ms. Carty. Ms. Carty's staff reviewed various workpapers and documents and conducted individual discussions with the Chief Auditor, the OCA Managers, as well as a sample of other members of the OCA. Cummings-Grayson concluded their fieldwork on January 22, 2020.

10. OCA team members coordinated the current School Board Audit Committee meeting on January 30, 2020.

FACILITY AUDITS

1. OCA Facility Audit Manager, Mr. Usallan, and OCA Auditor, Mr. Eric Seifer, continued their work on the SREF audit.
2. OCA Auditor, Mr. Seifer, attended the Facilities Task Force meeting on December 5, 2019. He later summarized the meeting for the Chief Auditor.
3. The Chief Auditor attended the Bond Oversight Committee meeting on December 16, 2019 to summarize RSM's FY 19 Q 4 SMART Bond Program Management report. The report was previously presented to the Committee and the School Board.
4. OCA Facility Audit Manager, Mr. Usallan, attended the Facility Task Force meeting on January 16, 2020. He later summarized the meeting for the Chief Auditor.
5. The Chief Auditor and OCA Facility Audit Manager, Mr. Usallan, and OCA Auditor, Mr. Seifer, met with RSM Director, Mr. David Luker, and RSM Manager, Mr. Matthew Blondell, on December 12, 2019 and December 13, 2019 and January 23, 2020 to discuss the fieldwork and reporting on the RSM engagement on the SMART Bond.

INTERNAL FUND AUDITS

1. OCA Internal Funds Audit Manager, Ms. Ann Conway, attended a meeting for the GASB 84 implementation with staff members of the Accounting and Financial Reporting on January 22, 2020.
2. OCA Internal Funds Audit Manager, Ms. Conway, continued fieldwork on internal funds audits of several schools.

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 November 22, 2019 and December 12, 2019 with Strategic Initiatives Management Executive Director, Dr. Deborah Posner, and Strategic Initiatives Management Director, Mr. Peter Eschenbrenner.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, OCA System Support Specialist, Mr. Bryan Erhard, and Strategic Initiatives Management Director, Mr. Eschenbrenner, led meetings with the following areas to document the inventory process and controls as part of the Tangible Personal Property Management Improvement Project:

- December 10, 2019 – Information Technology Directors
 - December 11, 2019 – Information Technology Staff
 - December 11, 2019 – Financial Accounting and Reporting
 - January 2, 2020 – Procurement & Warehousing Services
 - January 7, 2020 – Information Technology Department Staff (additional meeting)
3. The Chief Auditor met with retired Chief Auditor of Miami Dade Public Schools, Mr. Jose Montes de Oca, on January 17, 2020 about serving as a consultant on the District's Tangible Personal Property Management Improvement Project.
 4. The Chief Auditor and OCA Property & Inventory Audit Manager, Ms. Arcese, attended a stakeholder meeting of the District's Tangible Personal Property Management Improvement Project on January 21, 2020. The meeting included the impacted chiefs and stakeholders including Chief Financial Officer, Ms. Judith Marte, and Chief Information Officer, Mr. Phillip Dunn. Consultant, Mr. Montes de Oca, also attended.
 5. OCA Property and Inventory Manager, Ms. Arcese, completed audits of 8 schools and departments. These audits are part of the Committee's January 30, 2020 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 January 30, 2020 agenda.
2. OCA Operational Audit Manager, Ms. Meredith Arlotta, 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. OCA IT Audit Manager, Ms. Jennifer Harpalani attended Broward School District E-Rate Audit Kick-off meeting on November 20, 2019 (we did not mention this meeting on the last Chief Auditor's Report). The audit is intended to determine compliance with FCC Rules and Regulations governing the E-rate program for funding year 2018.
2. The Chief Auditor and OCA IT Audit Manager, Ms. Harpalani, met with Mr. Rodrick Harvey of HCT on December 4, 2019 to commence an audit of the District's smart board technology purchases. The scope of the audit includes an understanding of the differences and functions and pricing of certain smart boards.

3. The Chief Auditor and OCA IT Audit Manager, Ms. Harpalani, met with RSM Manager Ms. Alexandra Lorie on December 2, 2019 to discuss the scope for an audit requested by the Board for an Information Security audit.

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 previously reported by the OCA. 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 Renewal meetings on December 19, 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. 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 December 6, 2019 and December 9, 2019 with the following charter schools:
 - International School of Broward
 - Franklin Academy F
 - Championship School of Excellence

WORK WITH REGULATORS / OTHER AUDITORS

1. The Chief Auditor and OCA Audit Manager, Ms. Conway, worked with District management to compile the response to the Florida Auditor General's FEFP and Student Transportation Audit. The preliminary report was received on November 20, 2019 and the response was submitted on December 20, 2019.
2. Based on the results of the FEFP audit, the Chief Auditor, OCA Internal Funds Audit Manager, Ms. Conway, and OCA Charter Schools Audit Manager, Mr. Tunnermann, met with the governing boards of Innovation Charter School and Imagine Charter School of Weston to discuss the results of the audit that impacted those specific charter schools. The OCA discussed their appeal strategy with them as well as the student source attendance documentation needed for their appeal.
3. 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 Systems Support Specialist, Mr. Erhard, provided training and support for the Inventory Hot Labs where participants asked site-based questions related to the inventory database and inventory management. The Hot Labs, which were facilitated by the IT Department, were conducted on November 20, 2019 and December 11, 2019 and January 9, 2020 and January 16, 2020.
2. OCA Property & Inventory Audit Manager, Ms. Arcese, led a BCPS Inventory Process Presentation where she provided information on what constitutes an audit exception and how to correct dings, run SAP inventory reports and downloading it into Microsoft Excel, the surplus process, and best practices. This session was held on January 28, 2020.
3. OCA Property & Inventory Audit Manager, Ms. Arcese completed self-study CPEs on Network Accounting and Auditing on December 15, 2019 and Network Governmental Accounting Reporting on December 16, 2019.
4. OCA Property & Inventory Audit Manager, Ms. Arcese, attended webinars on FGFOA Best Practices for Internal Controls in an IT Environment on January 16, 2020.
5. OCA Property & Inventory Audit Manager, Ms. Arcese, attended the IIA Data Ethics webinar on January 21, 2020.

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 (11/21/19):** The database has been expanded to include the specific audits requested

by the School Board members. **Status (01/30/20):** The OCA was able to substantially prepare our follow up database. However, the Auditor General's FEFP audit report was received. We will now need to include these findings. But the number of issues has increased substantially because of that report. Thus, we will need to modify our strategy to complete our follow up work that will likely include the use of a consultant.

- **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 & 01/30/20):** The OCA continues to recruit for the remaining position 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 & 01/30/20): 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 & 01/30/20):** 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 and 01/30/20):** 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. **Status (01/30/20):** A review of the HEERY and Atkins sub-consultants was performed as part of the scope of the Program Review that will be presented to the Audit Committee at its meeting on January 30, 2020.

- **Smart Boards**

Background: At the November 21, 2019 Audit Committee meeting, Dr. Nathalie Lynch-Walsh inquired of the differences and functions and pricing of the District's various smart boards.

Status (01/30/20): The Chief Auditor has engaged an audit firm to perform an audit of the acquisition of certain smart boards. The OCA will ensure that information on the differences and functions and pricing of the smart boards are covered by this audit.

- **CGCS PPO Report to Audit Committee Members**

Background: At the November 21, 2019 Audit Committee meeting, Ms. Mary Fertig requested that the Conference of Great City Schools PPO report be included in the January 30, 2020 meeting agenda (a motion was passed for its inclusion on the January agenda). Subsequent to the motion, Ms. Fertig requested that the report be sent to the Committee members in advance.

Status (01/30/20): The Chief Auditor discussed this matter internally and wanted to ensure that the timing of the distribution of the Conference of Great City Schools report, the related memorandums to the report, and the documents from the PPO Board Workshop (scheduled for January 27, 2020) were provided to the School Board Members prior to other persons. Accordingly, the documents could not be provided in advance. However, they were provided with the regular meeting documents.

OFFICE OF THE CHIEF AUDITOR ORGANIZATION CHART

Office of the Chief Auditor Organization Chart

(January 2020)

