

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

March 18, 2010

Mr. Duane Wolter, Chair, called the Audit Committee meeting to order at 12:30 p.m. at the Kathleen C. Wright Building in the 1st Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Anthony De Meo, CPA
Mr. Joey Epstein, CPA
Ms. Mary Fertig
Ms. Charlotte Greenbarg
Mr. John Herbst, CPA
Mr. Charles Howell, CPA
Mr. Steve Hurst, CFP, Vice Chair
Mr. Roy Karlsen
Dr. Henry Mack
Mr. Ted Perrella
Mr. Neal Shapiro

Staff Present:

Mr. James F. Notter, Superintendent of Schools
Mr. Donnie Carter, Chief Operations Officer
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Mr. Dave Rhodes, Director Facility Audits, OCA
Mr. Joe Wright, Facility Auditor, OCA
Ms. Delores McKinley, Director, Internal Accounts, OCA
Ms. Vicki Hill, Facility Auditor, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Ms. Sharon Airaghi, North Area Superintendent
Dr. Leontine Butler, Central Area Superintendent
Dr. Joel Herbst, South Area Superintendent
Mr. Jeff Moquin, Support Operations
Ms. Leah Kelly, Executive Director, Student Support Services
Ms. Melissa Grimm, Director ERP Project Management
Ms. Sue Rockelman, Manager, Human Resources, BRITE –ERP Project Management/HR Systems Support

Guests Present:

Mr. Daniel O’Keefe, MSL, P.A., Partner
Mr. Manuel Garcia, CPA, GLSC & Company, PLLC
Ms. Patricia Mazzei, Miami Herald
Ms. Akilah Johnson, Sun Sentinel
Mr. Paul Falcone, Ethics Panel

Old Business

A motion was made to approve the minutes for the January 28, 2010 Audit Committee meeting. Motion carried.

Current Status Report – Follow-Up Items

Follow-Up Item #3 - Internal Desk Review of Overtime Expenditures - June 25, 2009

Mr. Reilly introduced Ms. Sue Rockelman and asked her to give an update on the Overtime Committee's progress, based on the original Desk Review of Overtime Expenditures presented in June, 2009.

Ms. Sue Rockelman stated "The Committee is comprised of Principals, District staff and people from the BRITE Project to review the Desk Review of Overtime Expenditures and we've also been reviewing and analyzing other data associated with overtime. Today, I'd like to specifically focus on the recommendations that came from the Desk Review, which are in the handout we provided. We're scheduled to go to the Board in May, where we will recommend these as well as other recommendations." She asked the Committee if they had any specific questions.

Dr. Henry Mack asked why overtime for certain individuals was not reflected in the Overtime Premium report.

Ms. Rockelman stated "I believe you are referring to secondary assignments. For example, I may be a custodian by day, and I may be driving an activity bus in the evening. How the system currently works is that the custodians are already working a 40 hour week, so any work they do after their regular hours would be time and a half. In the current system for the last several years, it will pick up the highest hourly rate and will pay the time and a half on the highest rate. Normally, in the case of an activities bus operator, there is a schedule associated with that job. One of the rates is \$12 per hour; however, since the system was programmed to pay that custodian on his primary rate, if the custodian was making \$25 per hour, when he drives the activity bus, he is making time and a half on the \$25 per hour rate, not the \$12 rate. One of our recommendations is that the system should look at the lower rate for the secondary job and calculate the overtime on that rate. We have contacted our SAP consultants on what that reconfiguration would cost, so that we can analyze that cost against the savings to ensure that we wouldn't negate our cost savings. The system has been configured like this for several years, even before the new ERP BRITE system was installed."

Dr. Mack stated "It appears that there were deals cut to give people overtime to give them compensation. These kinds of deals tell me that even though we have policies and procedures in place, the high level management are circumventing these procedures."

Mr. Donnie Carter stated "I know exactly what you are speaking of, when this issue was first brought forward by Mr. Lindner, we had several discussions with ELT and the Superintendent before that, regarding the amount of overtime in the District and how we could, as a District, reduce the overtime. Pat eluded to some of the things that we intended to do earlier. One of the things that we talked about was to approve overtime that was necessitated by a particular need or function before the overtime takes place. The Superintendent had a couple of examples that were

discussed at the ELT meeting and ELT should now be looking at pre-approval for all overtime. There is emergency overtime that has to take place when the emergency occurs. For example, if a pipe bursts in a school after school hours, it has to be fixed. Once we looked at the pre-approval, we were also getting monthly reports from Payroll, which identifies the overtime by the user area. There is additional data included in that report. The intent of the additional report is to see who's getting the overtime, what the overtime is for, and the dollar value of the overtime, and comparing prior year's overtime to ensure that we would not exceed last year's overtime. Those are some of the things we are doing to try to eliminate overtime, in addition to resolving the issue with the secondary jobs."

Dr. Mack asked "Do we have any idea how much we will save as a District at the end of the year in overtime costs?"

Mr. Carter replied "No, I can't estimate the cost savings."

Mr. Reilly added "The savings would be based on the number of people who have secondary positions and are being paid overtime, based on their primary positions. Several people were found to have been paid over \$20,000 in overtime in this scenario."

Mr. Ted Perrella asked "Regarding #4, Dr. Mack mentioned addressing emergencies, did your Committee address emergency vs. non emergency overtime?"

Ms. Rockelman answered "One of our recommendations is that all overtime regardless of secondary or primary job, should go to the ELT member for approval, with the exception of emergencies."

Mr. Perrella asked specifically if the Committee addressed emergency overtime.

Ms. Rockelman stated the Committee did not address emergency overtime. She stated that they could look at it. She stated "The Committee is also developing an overtime policy, but it needs updating."

Mr. Perrella commented that Recommendation #5 addressed the Fair Labor Standards Act (FLSA) and teacher contracts and asked whether those areas had been addressed.

Ms. Rockelman said "Yes, we have."

Mr. Perrella stated "I guess that \$48 per hour item will be eliminated".

Ms. Rockelman stated "Yes."

Ms. Charlotte Greenburg asked regarding Recommendation #2 "Are you saying that 96% of these additional positions are similar?"

Ms. Rockelman stated "When we studied these secondary assignments, we found that at least 96% of the employees are doing something like they do during the day, so yes, they should receive their primary hourly rate on the secondary assignment."

Ms. Greenburg asked Mr. Reilly "Is that what you found in your audit?"

Mr. Reilly stated “No, because when we did the population, we took the ten highest paid overtime amounts in our sample; most of the employees in the 96% group were bus drivers that had a second job driving activity buses in the evening or custodial employees.”

Ms. Greenberg stated “So that means that 4% of the employees are causing 100% of the problem?”

Mr. Reilly said “Yes.”

Dr. Mack stated “I’m not concerned about the 96%, but I’d like to know the basis of the 4%, 4% of what population?”

Ms. Rockelman explained how the 4% was identified.

Dr. Mack asked how many employees she was talking about, “4% of 15,000?”

Ms. Rockelman said “Correct”.

Dr. Mack stated “That’s still a big number.”

Ms. Rockelmen stated “That’s where we’re recommending using the lower rates when calculating overtime. There are some cost savings there.”

Ms. Mary Fertig asked “If those 600 jobs (4% of 15,000) are creating 50% of the overtime, that’s a pretty significant amount. I think that would be important to know. What is your timeframe for making changes for calculating the secondary job rates?”

Ms. Rockelman said “Our goal is to have that implemented in July.”

Ms. Fertig asked “What is your timeframe for updating the overtime policy?”

Ms. Rockelman stated “It will be presented at a Board workshop in May.”

Ms. Fertig asked “I am wondering in this environment where so many people have lost their jobs in various departments and the rumors that persist that others will lose their jobs, if it would be more cost effective to have a part time job list where you could be giving people work, like the substitute job list, rather than paying people time and a half. You could be giving jobs to people who need them.”

Ms. Rockelman stated “That was one of the considerations that has been recommended.”

Ms. Fertig asked what the timeframe was for that.

Ms. Rockelman stated “That would be identified and we always have to look at the contracts. Before you can allow a substitute to do a job, you have to offer it to the people on the layoff list.”

Mr. Wolter stated “To me, this is one of the guts of this issue. The recommendation was to discontinue using primary position people for secondary positions.”

Ms. Rockelman stated “We have not discontinued that.”

Mr. Wolter asked “When will we do that? Why are we taking a full time person and having them work overtime when we have 10% unemployment?”

Ms. Rockelman stated “That is something I can bring back to them.”

Mr. Wolter stated “This is a hot button for me and I’m very concerned with our slow pace because every day I have to pick up the paper and see we are hemorrhaging cash and we can’t provide services and here we’re continuing to pay overtime when we don’t have to.”

Ms. Rockelman stated “I agree with you, but there are some positions that require someone have the knowledge that’s required to do that additional position.”

Mr. Wolter asked “Have we tried to find a person with the knowledge to do the job instead of overtime? Can we move that to the top of the list? [Can we get an update next month?](#)”

Ms. Fertig asked “Having ELT pre-approve overtime, with the exception of emergency overtime, you’re almost micro-managing an area, somebody could be doing that full time.”

Mr. Carter stated “Departments will perform overtime without there being a review to determine whether or not the functions are actually needed at all. An example would be the Maintenance Department, which was traditionally a large overtime user. They have substantially reduced their overtime. They would go out and perform certain functions at night, for example, repair an A/C unit, etc when the school was closed, on an overtime basis. What we started to do is instead of doing the work at night, we started early in the morning before the students and staff arrive. Things like that can save a substantial amount.”

Mr. Roy Karlsen asked if the update would be ready by the next Audit Committee meeting on May 6, 2010.

Ms. Rockelman stated “I think the workshop date is after the Audit Committee meeting.”

Mr. Carter stated he would have a report for the Audit Committee by the next meeting. Hopefully, it will be a positive report, in terms of identifying where the work is, where the dollars are in relation to the number of people working, to what extent the secondary positions can be filled by other people. I’ll try to expedite the policy revisions with workshops and public input. On average, with the process of policy development and review, it will take 90-120 days from initiation. Initiation means going to ELT for review, then to a Board workshop, followed by a public workshop, a second Board workshop, etc. Depending on whether or not there is an additional Board workshop, based upon Board input and review, it may come back for a third workshop, then we have two mandatory readings on the policy.”

Dr. Mack stated “That really sounds like a smokescreen.”

Mr. Steve Hurst asked “If we said administratively that all overtime ceases today pending a policy review, the policy, once implemented, could be backdated, theoretically, to today’s date.”

Mr. Carter stated “You can’t arbitrarily discontinue overtime until you know who’s doing what. The whole secondary position issue is a technical issue.”

Ms. Greenberg stated “I’ve never seen three workshops required for a policy. What usually happens is you have a workshop to get the Board’s input, you have this draft policy, and then it goes to the first reading. Unless someone comes up with an earth shaking need to change something, you can do it in the first reading. Unless somebody wants to stall something by having workshop after workshop, review after review, it’s the Board’s job.”

Mr. Wolter stated “I’d like to kill this discussion, let’s see what comes back in May. Please put on the top of the list to stop hiring people who work here for second jobs that automatically pay overtime.”

Follow-Up Item #1 - Other Comments –January 28, 2010

Mr. Reilly stated that he would discuss the follow-up item since Mr. Marko could not attend. Mr. Reilly stated “Mr. Marko submitted an Architectural Errors & Omissions workshop document from the March 9 workshop, which was distributed to the Committee this morning. It was a review and training session on errors and omissions, what types they are and then there was a discussion about whether architects would be given a percentage of allowable errors and omissions before the Board would request reimbursement for additional costs. The consensus was that architects should not be given an allowable percentage of errors and omissions on a construction project and each project should be looked at on a case by case basis. The Auditor General has the same opinion. Also, Mr. Marko presented a schedule that identified the amounts recovered from lawsuits filed by the District and what amounts were recovered.”

Ms. Fertig asked if Mr. Marko could add a column to his schedule showing how much money they were trying to recover, along with the amount actually recovered.

Ms. Greenberg asked who the attorney was handling the recovery and how much each attorney charged us, in order to see the relationship to the charges that were recovered. “I would like a complete list showing the ages of the cases.”

Mr. Reilly stated he would send Mr. Marko an email requesting an update. He also stated that there was a column entitled Concluded Matters, Fees and Costs.

Mr. Dave Rhodes added “At the workshop, they did state that this schedule was based on amounts that were recovered between 2002 and 2007, but it didn’t include anything related to the Change Orders Other items; that may be another list that is pending, but that’s one that I would have looked for, but I don’t think it’s comprehensive, and I don’t know how many of those have turned into litigation.”

Ms. Greenberg asked if the list could show the attorneys’ names and separate costs.

Follow-Up #2 – Update on the Audit of the Ashbritt, Inc. and C&B Services Invoices for District Portable Repairs Related to Hurricane Wilma – July 23, 2009

Mr. Wolter stated “I am in receipt of a memorandum from Mr. Marko this morning stating that it’s anticipated that a final report will be provided by Berkowitz Dick Pollack & Brant, CPA’s (BDPB) to Mr. Marko in approximately thirty days. Upon the final report, Mr. Marko will confer with the Superintendent, so I definitely think we should bring this back to the next meeting.”

Mr. John Herbst stated “One of the items that we discussed at length was that they (BDPB) had not reviewed the workpapers. I’d like to know if that has taken place.

Mr. Rhodes answered “At the January 28, 2010 meeting, Mr. Hurst asked that in two weeks I send out a request to offer the workpapers again, which I did promptly. Actually, we saw them (BDPB) again, so there were actually two offers to provide those comprehensive workpapers and to date, we still have not received a request for those workpapers.”

Ms. Greenberg asked “When were these people brought on board?”

Mr. Rhodes said “Early January.”

Ms. Greenberg stated “January, February, March, April, what are they charging us, \$600 an hour?”

Mr. Rhodes answered “I’m not sure.”

Mr. John Herbst stated “I’ve been asked to do a peer review in our department for a similar case with the City and the first thing we did was request the workpapers. I don’t see how you could possibly gain an understanding of the competency of the evidential matter without actually seeing the evidential matter. I raised that issue at length at the last meeting, and I will do so again. I’m very disturbed and don’t see how we can get a report in 30 days if they have not even examined the workpapers.”

Ms. Greenberg stated “I raised the same issue at the last meeting.”

Mr. Rhodes added “The workpapers are complete, cross-referenced and every single piece is available electronically, which I stated all in writing on four different occasions.”

Mr. Wolter stated “I think all the CPA’s in this room agree. Is there a way that I or one of our other CPA’s could have a short meeting or conference call with the Partner of the client and ask that question?”

Mr. Reilly replied “I would recommend asking Mr. Marko.”

Mr. Wolter stated that he would contact Mr. Marko.

Mr. Neal Shapiro asked “Since they (BDPB) have been contracted by the School Board Attorney, is it within our purview to request a status, since this has not gone any further. If there were services that were provided or billed for, what have they been doing if they don’t have the product that they need to complete the task?”

Mr. Wolter stated “I am anticipating that the answer will be because there is research for legal matter, they have the protection of counsel and we can’t get any information until it’s finished, but I will ask the question.”

Mr. Hurst asked if he could be on the conference call with him.

Mr. Wolter stated “I will get that done before the next meeting and send an update to Patrick and the Board.”

Follow-Up #4 – Internal Funds Audits

Mr. Reilly stated that this update would be brought to the May 6, 2010 meeting, as indicated on the Follow-Up Items Report.

Regular Agenda

Internal Audit Report – Audit of the Internal Funds of Selected Schools in the North, Central and South Areas

Mr. Reilly stated that the Internal Funds audits consisted of all three areas and contained a total of twenty-five audits; twenty-three audits had no audit exceptions and two schools contained audit findings mainly related to receipting procedures not being properly followed and exceptions relating to the elimination of the Principal's Discretionary Fund Account. "What we have occurring is the re-creation of this account and we are trying to put a stop to that, **so we can ensure that these internal funds are being used for the benefit of the students.**"

Ms. Fertig complimented the auditors for doing a great job in this area.

Ms. Greenberg asked regarding page 70 "I'm not sure about this response; the Principal states that he was directed by a prior Auditor. Is this true?"

Mr. Reilly answered "No, I don't agree with that because there are some timing issues there. We changed the policy in 2006 to eliminate the Principal's Discretionary Fund and how to handle some funding that would go to the Faculty/Sunshine Account. **We had workshops and Principals' meetings to explain the issue of the one-time move to eliminate the Discretionary fund and I'm questioning the dates there, because Ken Shaw left the District in 2005; therefore, it would have been impossible for him to have given any directives regarding this matter in 2006. Furthermore, Ken Shaw would not have promoted that, because in 2005, Ken Shaw was one of the members of the group that was trying to revise the Standard Practice Bulletin. The point is we want to have the policy in place adhered to, rather than not running these funds through another account.**"

Ms. Greenberg asked regarding page 71 "The Principal at Oriole, who was part of this audit problem, is now at a Middle School? That might be something you want to look at."

Mr. Hurst asked about the \$20,000 shown on page 64 and questioned if the \$15,000 spent on faculty was a part of the \$20,000 or in addition to the \$20,000.

Ms. Delores McKinley stated that it was part of the \$20,000.

Dr. Mack stated "That appears to be an attempt at hiding the same money and circumventing the policy that was revised in 2006. He (Ken Shaw) had a very long conversation about the discretionary process. How many schools, Pat, are doing this kind of thing now?"

Mr. Reilly replied "We haven't seen it in most schools, but have seen it now three times, in Western, Boyd Anderson, and Northeast High. In the other 28 or 29 schools, we haven't seen that.

Mr. Wolter asked regarding page 70 “Is our policy defined regarding hospitality because he (Principal) took a very liberal approach to the definition.”

Mr. Reilly replied “The Standard Practice Bulletin, which is further supported by a School Board Policy, is pretty clear on that issue; hospitality is clearly not for the staff, but is to be utilized for visitors to the schools.”

Mr. Wolter asked the Area Superintendent if he could talk to this Principal, as he was unhappy with his response.

Dr. Joel Herbst stated “I will do that; however, there are some issues here. I sat at the meeting with Ken Shaw, as a former Principal, where he did, in fact, direct Principals to transfer that money from the Discretionary Fund into the SGA account and allow for such spending, as long as there were club minutes from the Student Government Association. So, I’ll say it again, I was present at the meeting when Ken Shaw gave that directive. That being said, with the absence of a Standard Practice Bulletin, I think this needs to be revisited with a work group from the High School Principal group, Area Superintendents and Mr. Reilly’s group, to have clear direction through a Standard Practice Bulletin that would serve as a guide to High School Principals, who take part in this type of action. Without that, Principals, in my opinion, don’t knowingly violate the spirit of Florida Statute or Board policy, not intentionally. This Principal believes that he is serving the best interest of his staff. If that’s misplaced, it may be; however, in absence of any true guide to the expenditure of such funds, I would speak with the Principal about judgement; however, I will also work with Mr. Reilly in a work group to establish a Standard Practice Bulletin to ensure that this type of leeway does not occur again.”

Mr. John Herbst asked “Did you say there was a Standard Practice Bulletin that addresses hospitality for outside visitors coming to the schools?”

Mr. Reilly replied “There is, and as I mentioned, beginning in March 2006, was when the decision that a Principal’s Discretionary Account would no longer exist and the procedures for handling that are in the Donations Standard Practice Bulletin, which explains how to do it and the percentage that can be put into the Faculty Account. Once we had that policy in place, there is no way that Ken would have said that. He might have said that a club could do something for the school, (which they still can do), it has to be explained in their minutes what they will be doing. When you transfer those kinds of dollars and it is not monies that that club earned or created to do a service, it’s just quickly a transfer from the prior Principal’s Discretionary Fund, (which doesn’t exist anymore) into this account. It is true that a club can do this, can put on a breakfast for faculty, but it must be based on their minutes, their money; not money that is coming in from someplace else that would normally have gone in the Principal’s Discretionary Fund. We’ll get together and clear this up, but I can recall very clearly in April or May, 2006, where I explained at a Principal’s meeting, the new process; I explained the one-time clearing out of the Principal’s Discretionary Fund, which had to be done, because we were not going to let that account slowly reach zero through spending. It was very clear and there was a memo that went out to explain the procedures from that point. To rely on something from way back in March of 2006 from someone who, I’m telling you, left the District in December, 2005, I don’t agree with this, but, it doesn’t matter. The point is that we want to correct this in the future. I told all the Principals in a memo what the rules are now for the Discretionary account.”

Ms. Fertig stated “I think Dr. Herbst has a good suggestion, because as I recall at Northeast regarding the Principal, there was no ill will, no attempt to try to do anything malicious; he was new and thought he was doing the right thing. As a former sponsor, I have to tell you, I don’t believe we should ever teach our students that they are told by adults how to spend their money.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated that there were twenty-two school and departments audited, with nine schools having audit exceptions, some with repeat findings. “As you can see from the schedule, the number of unlocated items has decreased significantly. I think the schools are improving by checking their own PNI-811 reports, etc. We are able to do audits more quickly now, although we still have some schools where we assist them in making corrections. The issue with the serial numbers not being posted, so they are reflected on your P&I inventory, that makes it very simple to do a physical inventory. There’s still a bit of a problem, but it’s greatly improved.”

Mr. Hurst asked if any of the four items shown on page 75 had been located.

Ms. Leah Kelly stated that they had not been located.

Ms. Greenberg agreed that improvement had been shown.

A motion was made to transmit. Motion carried.

Internal Audit Report – Operational Audit of the Facilities and Construction Management Division – March 2010

Mr. Reilly stated “At the request of the Superintendent, we looked at the various general fund expenditures vs. the capital fund expenditures prior to January, 2010. We reviewed travel expenses, payroll and other projects, budget expenses. We are presenting this report and will have a continuation, a second report covering other areas that we are reviewing. In general, we have seven recommendations that deal with several internal control procedures that should be in place and adherence to contract terms. If we followed these procedures and policies that are in place, that would eliminate some of these problems. Also, we need to strengthen some of these areas on how we are accounting for overtime, how we’re accounting for payroll per payroll period and some things related to travel. We have four areas that pertain to construction issues and several different types of delivery methods that we reviewed. Again, working with Tom Lindner, who is there now, the strengthening of some procedures would improve the way we are running projects and ensure that we have our Authorizations to Proceed in place and that we are fiscally responsible in running the projects from beginning to end. I will open the discussion for any questions.”

Mr. Wolter stated that he thought it was a very well done report.

Mr. Tom Lindner addressed the Committee. “This is part of the internal support that I’m getting in Facilities, which is much better than the external support and the adult supervision from all the outside agencies which are keeping me busy lately. First, the culture that existed between Pat’s group and my current group now was very toxic and I have tried to improve that and change that

culture. Many of the issues you see before you were issues that I identified and asked Dave to look at, specifically. I think he met with some resistance at first; but toward the end of the audit, we found that there was acceptance. I think we may be turning the tide in terms of the culture we had between the Construction and Audit departments. My view has always been that the Audit Committee can only make us stronger, better and more transparent and I think my PPO audits and appearances here support that. That's my personal feeling about the Audit Committee. The issues you see before you and that have been in the press do exist. You'll see my responses; there were not any issues that I really disagreed with. My only concern is that I am against adding additional processes and procedures, instead of holding individuals accountable. The culture that forces us to create extra steps and additional non value added procedures in our processes creates the bureaucracy, which affects the timelines, which affect our ability to deliver the product, not just in Maintenance, but in Construction and several other processes. I think the issue really needs to be, where the people are adhering to the current processes and whether we are going to hold those people who consciously decide to circumvent the system accountable. As long as we have a culture that does not hold people accountable, you will have audits like this one. Dave and I have already met on several other issues that I have asked him to look at. We are doing our own internal turnaround and we are identifying issues where we have found some weak spots and are working to fix them. It is not a short term process; with the organization that is going to happen as a result of our budget cuts, we really are limited in determining who the 'A' team is going to be and then moving forward from that point, but that's not going to stop us from trying to change the culture.

Dr. Mack stated "You have my personal vote of confidence. It makes me feel particularly good to see your response to an audit that is cooperative and I'm delighted to hear that you are going to work together."

Mr. Hurst asked regarding page 19, the payroll timekeeping process "Am I understanding this correctly that they are going to purchase time clocks?"

Mr. Lindner replied "We are going to have to purchase time clocks; the problem is the use of time cards, which we have to buy. That process is what we use in Physical Plant Operations for all of our hourly employees, but there is no time clock there, so we are going to explore the system we have using our badges and getting a star terminal installed and then look at the feasibility of moving that next year, since we have to move to a new location by March. I have already instituted the requirement for Project Managers when they go to a site where there is one of these, they're supposed to swipe in and swipe out as a record of their time in and out, so we can verify that they were actually there when we do our spot checks of mileage, etc. We do not have one of these in our location, so we are using a time sheet, like something you would see in 1920. We have the technology in this century, but we have never implemented them in our organization."

Mr. Hurst mentioned that many companies now have employees sign in on their computers. We could have our employees scan in one item as verification of their whereabouts.

Mr. Lindner stated that many times his employees are at construction sites where there is no building. "At one time, I looked at GPS enabled phones that would allow you to clock in and clock out on your school board issued cell phone and I think that the time we would have saved and the accountability that those phones would have given us (other municipalities have been

using them for about five years now) would have put an end to a lot of this type of behavior that we are experiencing, not just in Facilities, but in other departments as well.”

Mr. Reilly added “Two of the locations (9612 and 9615) have the ability to swipe in and out, but as Tom said, the areas in HORTT do not have anything like that.”

Mr. Lindner said he was looking at getting that system.

Mr. Rhodes stated “What Tom is talking about, during the PPO audit, when we were identifying some money saving opportunities, eliminating travel by use of GPS phones, not only would it verify where people were, it would also give us specific travel routes. That would have helped us to control travel reimbursements as well as identify some standardized routing. If there were reasons why that route was not the most appropriate, there would be an alternate route that would be allowed. We made that recommendation based on a study that his group had done prior to that audit, where PPO was trying to proactively fix or strengthen some of these things. I’d like to give credit where credit is due, and this is a recycled idea that he had come up with earlier.”

Mr. Carter added “It was simply a budget issue at the time. We presented it to the Board and clearly it would have done the things that were identified, in addition to probably given staff remote capability to submit requests, update work orders. We will continue to look for funds.”

Mr. Lindner added “When we did the cost benefit analysis, a 1% improvement in productivity would have funded that project every year, so it was a very high return on investment project. In the companies that use it, Ryder, Terminex, and other major corporations, the tech pushes the cell phone, which automatically updates the location of that phone. If you want to check to see if the phone was actually at that location, you can check the phone number on the internet on the website and it shows if the phone was at that location. It also shows the work order you’re starting and stopping and shows the customer how long that tech was actually there at that site, and can be matched up with the invoice.”

Mr. Wolter asked how the Committee could help.

Mr. Lindner said he tried to use stimulus money. “I know we put in an e-rate request years ago.”

Mr. Carter stated that it would be appropriate to revisit the issue to determine whether or not the cost of the system has gone down and then look at our budget and see if it would be possible to make budget reductions to support that. If not, we could try to identify other available funding sources. We’ll come back with an update for the Committee.”

Mr. Rhodes stated “If you recall, for some of the Audit Committee members who were not here when the PPO audit was released, there was a finding that identified a potential for a \$2.5 million savings in a reduction in travel time, which was primarily the windshield time and the high burden pay rates was the biggest chunk of savings. There was also a sizeable fuel savings that we would have had. I don’t think that savings would be near as large with the Facilities and Management group, because the Maintenance trucks are certainly moving more than the Facilities Project Managers and such. I do know it would certainly increase or improve the accountability as well as have a positive impact on the travel that is actually documented in the reimbursements.”

Mr. Wolter stated “I’d like to entertain a motion that this Committee supports the timely acquisition of GPS phones.” The motion was made and **seconded**.

Mr. Wolter asked if there was a demand for repayment from Pavarini (page 24).

Mr. Lindner answered that it was now a legal matter.

Mr. Carter stated “I discussed this with the Superintendent this morning and he agreed to follow his standard process for looking at District reimbursements and will review this with the Attorney to determine what the appropriate process should be toward that reimbursement.”

Mr. John Herbst added “I hope that doesn’t involve bringing Berkowitz back into the District.”

Mr. Reilly stated “Interestingly, in this case, a demand letter was sent out by Mr. Lindner, which was a great first step.”

Mr. Lindner stated that was not the only demand letter he had sent out.

Ms. Greenberg also complimented Mr. Lindner and stated “It’s especially gratifying to me to hear your philosophies when we have heard prior auditors being personally insulted as being unqualified glass cutters. I have to tell you how much this means to me personally to hear these responses. You spoke to us on the Facilities about your problems being able to hire and fire. You can’t hire competent people, because you’ve got this pecking order.”

Mr. Lindner said “I think that one of the issues will be a long term issue. It took me about 3 years to change the culture of the Physical Plant Operations. I’m a retired military officer and you can fire an incompetent employee, but it requires a lot of paperwork and documentation. You have to have the tenacity and fortitude to stick with it. This has plagued not only my department, but many departments in many large organizations. I’ve always thought that my responsibility was, although I spend a lot of time with the 5%, my responsibility is really to the other 95% who are doing their jobs and I am up to that task. We’ll have to let people know that it’s OK to document people for bad behavior.”

Ms. Greenberg said “I’m asking Mr. Carter; I’m sure the Executive Leadership Team will support his efforts.”

Mr. Lindner said they had in the past.

Mr. Carter stated “Since Mr. Lindner took over, the Superintendent has pushed me in that direction. In support of what Tom’s doing, I’m seeing a change in culture that needs to happen, in addition to simply following the processes for validating that work has been done, approving invoices for work that has been done, justifying change orders. We have turned back many change order requests, because we have simply said ‘we don’t need to do them’. That whole process is part of changing the culture. I think as we go forward, you will see the results that you desire, simply by the processes he’s putting in place now.”

Ms. Greenberg stated “I would like to express my gratitude to the Auditors for enduring and suffering some really bad slings and arrows.”

Mr. Rhodes joked “Mr. Reilly gave me great advice when I began working here. He said ‘If you want a friend, get a dog.’”

Ms. Greenbarg asked “On the question of collections, I guess everything is going to be referred to Mr. Marko. I know you sent a demand letter and we’re grateful for that, but is everything going to get referred to Mr. Marko?”

Mr. Lindner answered “Actually, we have had some response from some of the contractors who are willing to meet with us. For instance, in one of the responses, we found that there was actually work performed that was necessary including the survey of a site where we needed \$2500. If you look at the overages, they weren’t significant in terms of the total cost of the contract; we charged those items to the architectural fee instead of against the project, so there were some areas where we did have some work, but there also were areas where we clearly exceeded the spending authority for that phase of the project. That work needs to be discussed. Show me a deliverable; if you did the work, we’ll pay you and we’ll work this out; otherwise, if we paid you and you can’t show me a deliverable, then you owe us the money. That’s the way we’re going to proceed.”

Ms. Greenbarg asked “If something had to go to an outside entity, are you going to have a problem doing that? Will anyone try to stop you?”

Mr. Lindner replied “No, not to this point; nobody has tried to stop me.”

Ms. Greenbarg “There were other instances, obviously; you even said it to us at Facilities, where Board members were interfering with management.”

Mr. Lindner answered “I think that until we change the culture at that level, that’s one of the issues that we’re gonna have to deal with. There are instances where Board members have reached down into middle management to Project Managers. I’ll wait until the Ethics Commission provides their report, but I think the culture is changing.”

Ms. Fertig stated “I was glad to hear you say that you don’t want too many more rules after the lengthy discussion on what it takes to change the policy. I was glad to see, and I would like to direct this to the Auditors, the comments on working with student boundaries. Two years ago, I expressed a concern that we needed to do an audit on student assignments to see how that was affecting the spending of capital dollars. I would say these amounts on these sheets are small compared to what was directed and spent on capital dollars because student assignment procedures weren’t being followed. I’m glad you found this; I hope you continue to look for other examples. I hope you’ll talk about Coral Springs Middle and a couple of other schools. If you’re talking about Seminole, that’s a glaring example of what we were talking about at the time. I’m taking the opportunity to speak on this, because so many of our schools, almost 20 years after ADA, are still not in compliance. There are still many schools where if you enforce the student assignment policies, you would not be building classrooms.”

Mr. Lindner said “I actually have those numbers and am working closely with boundaries. I recently terminated a project to build an auditorium with more seats than we had students. That work will be re-scoped and re-bid. I think it was Coral Glades where we going to do a classroom addition and we designed an auditorium that was larger than the capacity. We didn’t change the auditorium design after we cancelled the classroom addition. We were trying to make that same

auditorium; the proposal was made to build it with 8,000 square feet of vacant space that we would use later that didn't fit in with the statutes. We actually terminated that contract and we're going to put the contract out for re-bid with a differently designed auditorium, actually a re-use that fits the size of the school and matches the school's capacity. We are looking at those issues, the actual student count, boundaries, the number of students and that the capacity of the school matches the surrounding area and whether or not we actually need the classrooms. We are reviewing the project you just mentioned and one other to ensure the plant survey supports the ??????????????????. We haven't made a final decision on those, but that is one of the processes we're doing with all of our capital projects coming forward."

Mr. John Herbst added "Your point about wanting to work with the Auditors and changing the culture is dead on. I work in the Internal Audit Department and you can create all the controls and processes in the world, but as you said regarding page 15, if the internal controls exist, but they are being circumvented, they are useless. If Senior Management is not willing to walk the walk and demonstrate to the staff and to the vendors and everyone else that they are committed to a culture of transparency and ethical behavior, results with integrity, then nothing else matters. Your willingness to embrace that culture and push the culture in that direction, to me, means absolutely everything and I applaud you. I think it's a wonderful change."

Mr. Neal Shapiro spoke, but his comments were inaudible.

Mr. Lindner added "One issue you must look at is in order to instill that culture, you must have a process for people who are told to do something that's essentially not on track or not right; they must have a mechanism to go back and report it, saying 'somebody told me to do it.' They have to be given the opportunity to do that, without fear of retribution, and there also needs to be room for the person who makes an honest mistake. Part of the issue is the development of changing that culture to develop those mechanisms and train those people that they have a moral obligation to say 'no' when someone asks them to do something that's not right and they have to have some type of ?????? that they can fall into if they do that, because there is fear of retribution. I think that's part of the culture as well, the fear, and right now that's been associated over the last year with the pending doom of budget cuts and layoffs. If you look at this audit and some of the issues over the last year, it really was a perfect storm for the type of incidents that went down; there was a rush to get things done, there was a fear of standing up for what was right, because people didn't want to expose themselves to the layoff they knew was going to happen. If you look at the whole dynamics of how this went down, I can't help but think that contributed to that. As we move forward, we have to consider the development of the employees who remain with the District after we do those layoffs and then develop some type of mechanism for them to say 'Hey, that isn't right; I'm not doing it', and not being forced to do it. That's one of the things I'm working on."

Mr. Anthony De Meo stated "Earlier, you stated you thought that the accountability should be increased over the existing processes. From an auditing standpoint, are the current processes in place being undermined by the lack of accountability, and if so, what is the nature of that ??????"

Mr. Lindner stated "Before I became the Acting Deputy Superintendent, I was the Executive Director of Plant Operations and Maintenance and I don't have a problem holding people accountable, despite the administrative requirements that go along with that. It essentially takes

five strikes. There's a verbal reprimand, a written reprimand, a one-day suspension, a three-day suspension, a five-day suspension, a ten-day suspension and then you finally get terminated. You constantly have to bring these people back to the table, regardless of the severity of the issue. Every time that happens, there's a letter that must go out; you need to notify them within three days, they get to have their union rep there; you have to go through the whole grievance process. It's a very convoluted and confrontational process; you have to be able to stay the course and pursue that process. Many people would just give up. In the past, we have disciplined people, who then showed up in the next department with another job, in spite of the fact that we terminated them. People do have an attitude of 'why bother?' In other cases, we've taken employees and transferred them to other departments; it's nothing like anything I've ever seen in corporate America or in the military. I will hold people accountable and in fact, have already started holding people accountable. I've called them in my office, and issued verbal and written reprimands to people who haven't shown up for work or who in the past several months have taken 27 days off and they just decided not to come in, although they have no vacation or personal time left. Those things were not being done before, and I don't have a problem with that."

Mr. Wolter also congratulated Mr. Lindner. "On the recommendations on page 20, on the overtime issue, is there an opportunity to recover those overpayments either from the individuals who received them or the individuals who approved them?"

Mr. Reilly replied "There may be, I think what we saw in this situation was a lack of accountability, no verification of the hours worked, no sign in or support of hours worked or of the work that was done. That would be a decision of management to see if that could be done. There was some issue about stopping the additional hours, but maybe from that angle, there's a possibility. Because it was ordered to cease but continued, maybe the individual who allowed that to continue should be dealt with. I think that would be something that would have to be presented to management and to legal."

Mr. Wolter asked if Mr. Reilly would present that.

Mr. Reilly said "Yes."

Mr. Wolter asked "Are these individuals still working overtime?"

Mr. Lindner replied "No, I stopped that before the auditors saw it; I asked them to look into how and why it happened. I know when I stopped it immediately and called Mr. Carter to tell him I was stopping this. I don't think it was the fault of the employees themselves; with one of them, it was a way to compensate him for a job that he had stepped into. He had moved up into Tom Getz' position, and ran the data for boundaries and capacity. Another employee stepped in and was performing those duties at a higher pay level and this was a way for the Deputy Superintendent to compensate him for that. Unfortunately, it wasn't the correct way; what should have happened, the contracts specifically allow you to compensate an employee for performing duties after they've been doing them. It used to be six weeks, I think now it's less than six weeks, I think it's two weeks, and that's the way it should have been done. The other person was a teacher on special assignment who had been receiving additional hours for duties he had been performing at the school and this was a way to preserve his salary when he was assigned to Facilities and it essentially preserved his salary as a teacher. Unfortunately, the teachers are paid

on a different calendar, so when this person went to a twelve month calendar, it resulted in a huge salary increase for him. This was a way to ensure that this person's salary was preserved. It has created a financial hardship for these people who had been counting on this money for the last couple of years. I am committed to ensuring that the one person who is performing the duties at a higher pay grade, I've created a formal request to have that person compensated appropriately, like anyone else would be. The other person, there is a job description that's on the chart for that person. It does involve a pay cut from what that person is earning now, but this is a job where he must either come off the teacher rolls and accept this job at a reduced salary or he'll probably have to retire."

Mr. Reilly added "I did want to add that Mr. Notter called and asked us to look at payroll before the prior person left. I do want to give credit to Mr. Notter for asking us to take a look at payroll and the operational expenditures from the general fund for Facilities. We had begun that, and we worked closely beginning in January with Mr. Lindner and we quickly put a stop to it. We went a little further and drilled down to see how long this situation had been occurring and looked at the background and supporting documentation that caused this situation. In both instances, we questioned whether there should have been additional or secondary positions created. We do have a process in HR that a job study needs to be done to justify an increase in pay, there is a process to do that. What happened here with all the findings in this report, generally things were not done the way they should have been done. In that way, there is no accountability. Without looking at it from an audit standpoint, there are no checks and balances to determine if work was done or authorized and again, as Mr. Rockelman pointed out earlier, one thing that needs to be done is to strengthen some of our payroll policies and procedures. If you look at many of them, they are very outdated and need to be clearly explained so other departments and locations will know how to proceed. Again, overtime should never be a year long thing; there should be a beginning point and an ending point. It must be pre-approved per payroll period. It's not just that two hours each day will be added with no accountability. I think as Mr. Lindner, also Dave Rhodes and Joe Wright on our staff have pointed out, we have policies and procedures, but we have to follow them. We cannot have special deals being made without accountability."

Mr. Wolter asked "Besides this, you're also looking at all the construction projects over the last couple of years. Do you have the support and resources to do that effectively?"

Mr. Reilly replied "We do. Another thing Mr. Notter and I discussed in December is that we have two outside groups looking at a couple of things, such as some roofing projects. We have an outside group that has allowed us to use some of our budget to make that happen. Also, our in-house group is continuing to look at the capital side and we're going to look at some of the ADA projects that haven't been reviewed in a while."

Mr. Rhodes stated "The one thing that everyone has seen today is the new and improved working relationship between our group and Facilities. I think Tom and I both know it's a one day at a time type of thing. Things come up; they're not always good, but he's dedicated and we're dedicated to attacking those things and trying to get to the root causes to come up with the most efficient and effective recommendations. More importantly, this whole group, the functional auditor/auditee relationship; not only are we supposed to be able to speak with the auditee, we're supposed to be able to bring things to them so we can proactively stop **problems** in progress. I'd like to continue to support that where that's happening. Tom's been very good where that's concerned and like he said, there were a lot of things that we may not have found without his

input and his letting us know there was something wrong. That to me is the way this process is supposed to work and I'm glad that that happened and I hope it continues to happen. I think we're on the right track."

A motion was made to transmit. Motion carried.

Internal Audit Report – Audit of the Family Counseling Behavioral Health Program Grant for the Period October 1, 2008 through September 30, 2009

Mr. Reilly presented the Audit of the Family Counseling Behavioral Health Program Grant which is required as part of a grant agreement between the District and Broward County. The report included a Statement of Revenues and Expenditures. There were no audit recommendations noted and no funds, including interest earned on such funds, due back to Broward County.

A motion was made to transmit. Motion carried.

Meeting adjourned at 2:30 p.m.