

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

May 5, 2011

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: Ms. Charlotte Greenbarg
Mr. Steve Hurst, CFP
Ms. Mary Fertig
Dr. Henry Mack
Mr. Andrew Medvin, CPA
Ms. Mary Lou Ruderman, CPA
Ms. Cynthia Samuel

Staff Present: Mr. James F. Notter, Superintendent, Superintendent of Schools
Mr. Donnie Carter, Chief Operations Officer
Mr. Thomas Cooney, Office of General Counsel
Ms. Lynette Tannis, Intern Superintendent, Superintendent's Office
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Delores McKinley, Director, Internal Audits, OCA
Mr. Dave Rhodes, Director, Facility Audits, OCA
Mr. Mark Magli, Supervisor, Property Audits, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Ms. Sharon Airaghi, North Area Superintendent
Dr. Desmond Blackburn, Central Area Superintendent
Dr. Joel Herbst, South Area Superintendent
Mr. Thomas Lindner, Acting Deputy Superintendent, F&CM
Mr. David Thomas, School Board Member
Mr. Tom Warfield, Vehicle Maintenance
Mr. Mike Kriegel, Vehicle Maintenance
Ms. Cyrilla Bradley, Transportation Services
Mr. Chris Robles, BECON
Dr. Phyllis Schiffer-Simon, BECON

Old Business

A motion was made to approve the minutes for the March 24, 2011 Audit Committee meeting.

Motion carried.

Current Status Report – Follow-Up Items

Follow Up Item #1 - 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. Patrick Reilly requested an update from Mr. Thomas Cooney.

Mr. Cooney began “As mentioned at the last meeting, we are in the discovery phase and we were beginning to inspect the portable roofs. We’re still in the discovery phase and have inspected approximately 50% of the total number of roofs. We’re about 50% done with document reviews at this point, as well. The next phase, after we’ve completed the inspections and the document reviews, would be to schedule and set up the depositions. There’s not really much information I can share on that front. The next step would be to reconvene with the Board in a closed door session and seek further direction from them on how to proceed with the litigation.”

Dr. Henry Mack asked “We’ve been in discovery now for a couple of years. Who’s doing your discovery, who’s inspecting the roofs that you are referring to?”

Mr. Cooney replied “The discovery I’m referring to is just within the litigation, the lawsuit itself. It’s a very finite process and we need to go through the court. The inspections are being processed by members of our building department and also a separately hired consultant that we got that would be our expert at trial.”

Dr. Mack asked “Had we not done that before?”

Mr. Cooney answered “No, the roofs were actually never inspected and that’s a big part of our lawsuit. They were never requested to be inspected and they should have been.”

Ms. Charlotte Greenberg asked “Who is the consultant you’re using for the inspection?”

Mr. Cooney replied “Our expert, we haven’t disclosed that yet to our opposing counsel and they haven’t asked for it yet. I’d prefer to keep that confidential.”

Mr. Duane Wolter asked “What is your target date to bring this to the Board?”

Mr. Cooney answered “If I had to guess, I’d say we could probably wrap up enough information in discovery and come back to the Board in about two months. Ms. Batista could not be here today and from a follow up requested at a past meeting, she wanted to provide you with a copy of the Sunshine Law and public records packet that we had provided to various counsels and District committees. She will follow that up by providing a link to the BECON video site that has this same video presentation. It’s not available yet, but should be available next week. She will email Mr. Reilly with the link and he can distribute it to the Committee members.”

Follow Up Item #2 – Internal Fund Audits – March 24, 2011

Mr. Reilly stated “The Committee requested a schedule showing which schools were not in compliance regarding use of vending commissions and verification of commissions. We’ve attached a document (follow up #2), which shows, for the last two years, the schools that used

commissions for staff accommodations. Of the fifteen schools that had exceptions relating to vending commissions, eight of them have corrected the problem. The total amount used for staff's benefit totaled approximately \$189,000 for the two year period."

Ms. Greenberg asked "You're continuing to follow up on this?"

Mr. Reilly continued "It's substantiated that those funds will not be used for that purpose. There are specific restrictions as to what can go into the Faculty account, versus giving a certain percentage of commissions randomly."

Ms. Greenberg added "It's very clear as to what should go where; it's not a mystery."

Ms. Mary Fertig stated "The magnitude of money in these schools was overwhelming to me; the use of \$100,000 from vending machines in some schools. I would be curious to know the total in every school and for the Board's interest that could be a lot of money in tough times. We don't want to use this money for staff's parties, but we do want it used for the students' benefit. Until you did this report today, I had no idea that schools got substantial sums of money. You see how that's based on school population, so then some schools don't get nearly as much to use for student benefit. I think that raises some real issues, the equity of the allocations. I'm just following up on some of the conversations we had at the budget meeting last night. I'd be interested to know what the total amount received for vending machine commissions is for the entire District for a year and how that is allocated for student benefit."

Mr. Reilly stated "We can do that through May 31, if that's what you would like to see. A lot of it is proportioned to areas that help athletics and various student organizations, but we're seeing a lot of money that went to the Faculty account, where the money was used for staff. The key there is that the only amounts that should be placed into the Faculty account are from the faculty vending machines used by staff only. We noted random amounts being used for faculty that were greater than the vending profits from staff vending machines in the teachers' lounges."

Ms. Fertig said "By auditing this area, you found things that shouldn't be happening in that area, but what you also found is that there is a lot of money coming in through vending machines. Is that money being spent in the best way and is it benefiting the students? I think this audit is great; it's a good example of how, while auditing a narrow area, you found a much broader area that could be addressed."

Mr. Andrew Medvin stated "I believe a few meetings ago, the situation with various vending contracts was discussed and the lack of uniformity in the system. It seems to me that for this amount of money, it would be great to have all our contracts a standard format so we could get the utmost from the various vendors. That's something we should seriously look into."

Mr. Reilly replied "We are taking a look at that, because we have several vendors that provide this service. Looking at those, there are all different arrangements."

Mr. Medvin added "I don't understand what the word "contribution" is doing in the vending contracts. You're paying rent or royalties, but I'm questioning the terminology of "contributions". I think if we standardize those, we could come out way ahead."

Mr. Wolter asked “Is anyone verifying the counters in the vending machines? When a purchase is made, is someone checking that it shows one item was sold?”

Mr. Reilly stated “The one school we looked at showed that the counter was working properly. I know that anything can be tampered with, but after speaking with outside groups that have those machines, it seems like it would be difficult to tamper with the counter, but we do plan on checking further.”

Mr. Reilly stated that he would try to present a preliminary review by the next meeting (June 23, 2011) and would do a more extensive review by the September 2011 meeting.

Follow Up Item #3 - Property & Inventory Audits – March 24, 2011

Mr. Reilly stated “The Committee asked for a schedule of audit recommendations that we provided to the Board, a suggestion of cost savings as a result of our audits. We have attached a schedule which lists some of the areas where we found savings during the last five years, one being the recommendation of the GPS turn-by-turn navigation system for the PPO Department that would put tighter controls on fuel costs and man hour efficiency. There would be an initial cost involved, so this may be something for the future. We also talked about the Overtime Desk Review that we performed. Currently, when overtime occurs on the secondary job, the SAP system reverts back to the primary rate, which in most cases, is much higher. This is a programming issue that needs to be corrected. This is costing us approximately \$200,000 a year and should be corrected for the 2011-12 school year. We also talked about the Workers’ Compensation changes; the new contract has been in effect for over 5 years now and the savings has been several million dollars each year. That audit has been a big cost savings to the District. I added a page from our department’s website which gives the link to our Audit Plans. You can read the Executive Summary for each of those years and get an update of all the recommendations we’ve made.”

Ms. Greenberg commented “I’d like to make sure I understand this schedule. The requested amount adjusted was \$2.6 million plus and the amount actually recovered was \$160,000?”

Mr. Reilly answered “That is correct. Certain items remain to be seen whether there will be any recovery, such as the Ashbritt audit. Also, we are still trying to recover the \$52,000 on the PPO audit.”

Ms. Greenberg asked “Wasn’t that the one that the prior General Counsel wanted to settle for \$10,000? Is that still out there?”

Mr. Dave Rhodes replied “That’s exactly where it is. It’s still out there. There was never any final disposition, although we’ve asked on several different occasions, but have never received an answer from the former General Counsel.”

Ms. Greenberg asked “Can we please ask again for another update on that item?”

Mr. Reilly said “Yes.”

Ms. Fertig added “Along those same lines, regarding Miramar High School, none of these consultant errors were ever recovered or is that still pending?”

Mr. Rhodes replied “To our knowledge right now, item #1 on Miramar High School, there was a final determination that the District had received the \$150,000, which was a negotiated amount that was put in place of the \$185,900 and that amount was received as a part of a design contract for the West Broward High School. The Change Orders Other, our understanding is that Legal is currently still working on them and we don’t know what the outcome is. They have not given us a breakdown on that, but if you’d like, we can certainly ask them, line by line on that report, what the disposition is on each item at this time.”

Ms. Fertig asked “At a minimum, could you add another asterisk by the ones where there’s pending litigation, where you’re trying to recover, just so we can tell what you are pursuing and what you’re not pursuing?”

Mr. Reilly added “Yes, we will get an update on that.”

Mr. James Notter asked “To follow up on Ms. Fertig’s question, if I could obtain a sheet showing those items that we are still pursuing, I can meet with General Counsel and determine the status for those items.”

Dr. Mack added “We’re talking about something that is not new. Over the past ten years, we have requested that the General Counsel recover money for this School District. The former General Counsel was a master in delay and Pat’s department, year after year after year, and this Audit Committee, year after year after year, tried to get the General Counsel to try to recover these funds. Dave and Pat can sit here and dance all they wish, but they do not have an answer for us. I’m delighted to hear you say, Mr. Superintendent, that given the list, you will speak to General Counsel. Unfortunately, it’s about five years too late, it’s so old, it’s dead legally, as well as the people who were involved in many of these things, retired, died or all of the above. I do recommend that we deal with those items, like the Ashbritt situation, which is current, and not waste your time, Mr. Superintendent and staff’s time, dealing with something that’s not going to net us anything for our investment, time and effort. You realize that you’re taking on a mammoth task, and you’re leaving in a couple of months, and then where will that initiative be by your successor? I don’t know what I’m really hearing; maybe you could clarify it for me.”

Mr. Notter replied “It would be my intent to go line by line and determine what is actually closed, meaning time is expired; you can’t do anything legally, and then determine what is active. As I told the Board, it is my full intent to leave a transition plan, and audits would be in the transition plan. It could go on a shelf or it could be turned over to the nineteenth Superintendent to take action. I would provide it to our advisory people, so that you have a close out on Superintendent Notter’s era and an opening for Superintendent “X” era. That is my intent, Sir.”

Dr. Mack added “We will meet with your successor and give him our expectations regarding getting money back that is owed to the District.”

Ms. Greenburg stated “The act of going to the new General Counsel will memorialize what’s going on here and give him an idea of what we expect.”

Follow Up #4 - Current Status Update of the Operational Audit of the Facilities & Construction Management Division – March 24, 2011

Mr. Reilly stated “At the last Audit Committee meeting, a request was made for a status of the construction contracts that are being updated.”

Mr. Thomas Lindner stated “I have provided an updated response along with copies of the contracts with a timeline and a schedule that provides a list of all our contracts. It’s a working document that can be adjusted as we go through them. We are currently re-writing the design build contract.”

Mr. Lindner asked if the Audit Committee had received the hand out. He stated that he had sent the documents to Mr. Reilly on April 28, 2011 and was apologetic that the Committee had not received it.

Mr. Reilly stated that he was unaware of the follow up information being sent by the Facilities Department.

(Note: Subsequent to the meeting, it was determined that the follow up response was sent from the Facilities Department on April 28, 2011; however, the email reply to the follow up request contained a different subject title. Therefore, the Office of the Chief Auditor was unaware that this was the follow up response. We apologize for this inconvenience. This topic will be discussed at the June 23, 2011 Audit Committee meeting.)

Mr. Lindner proceeded to read the information for the record. He stated “Facilities and Construction Management staff met with the Audit Department staff on Monday, April 25, 2011. Attached are copies of the four contracts:

- Continuing Contract for Architectural/Engineering Services
- Continuing Contract for Miscellaneous Services (most recently used for Cost Estimating Services)
- Continuing contract for Construction Services Minor Projects
- Hard Bid Contract for Concrete Walkways and Aluminum Canopies

I just got my first review of the design/build contract, and Mr. Cooney and I were just talking about that contract, that’s going to be the contract that we’ll be using for the design/build project that we just shortlisted yesterday on Cooper City and South Broward High Schools. The Audit Committee recommended revisions, including the incorporation of RFQ and RFP terms, in all contracts. We have begun to incorporate such terms in all contracts as provided in the second one above. Other revisions, in addition to the above, are planned to be implemented prior to future board approval of bids, RFPs and RFQs. We are prioritizing contract revisions based upon need and some of the revisions may occur in a year or more. This is a long term project; one of the issues that’s affecting me right now is that, as we do layoffs, I’ll have people bumping into those positions who do not have significant contract experience, which is a situation I find myself in right now. With the assistance of legal counsel, we’ve been working hard on those, but I happen to know that I’ll be losing the person who’s been working on these for a couple of months, because someone will be bumping into that position. It may be a good thing, it’s a very experienced person, but by seniority, that’s the next logical position for him to fall into.”

Mr. Wolter asked that, rather than reading any further information, the Committee be sent a copy to read, in order to ask questions at the next meeting.

Mr. Lindner said “OK”.

(Note: Copies of the email were sent to the Audit Committee by the Office of the Chief Auditor on May 5, 2011 after the meeting.)

Follow Up #5 - Summary of Audit Activities for 2009-2010 and Proposed Audit Plan for the 2010-2011 Fiscal Year - June 24, 2010

Mr. Reilly stated “Mr. Lindner sent me an email on the status of Eagle Point Elementary. This school had an issue with the exterior wall stucco. The project cannot be performed by PPO because the original bid exceeded the limit for the District’ ability to self-perform. The latest is the remaining work that will be re-scoped and re-bid to a specialty stucco contractor.”

Mr. Lindner stated “There is some litigation that involves the amount of recovery, based upon the original contract that was awarded to the original contractor. That amount that was performed, versus their claim of work performed, is in dispute, and we’ve assembled the documents which support our position, as well as a consultant’s report. We plan to go out with an RFQ to have that work completed, as well as, if necessary, to work with the attorneys to execute the performance bond. There are actually several schools in a very similar situation; Seagull, Eagle Point and Chapel Trail. It’s a very complicated process that we are trying to get to the bottom of, and we will complete the work and recover those costs the contractor claims he’s entitled to versus what we feel he’s entitled to receive.”

Ms. Greenberg asked “Has it been over a year already?”

Mr. Lindner replied “This is that same firm, and we’ve had several conferences about this issue. This is now tied up with attorneys. We’ve actually gotten them removed from the job, legally, so now we can go out with an RFQ.”

Ms. Greenberg asked “Wasn’t there something stipulated at the QSEC meeting that stated they had to wait a year before they got more work from the District?”

Mr. Lindner replied “Legally, we can’t do that. We have to de-certify them or not pre-qualify them again. They haven’t come up for pre-qualification again, but this will be one of the issues that comes into the feedback loop, how this job was performed. Right now, we have another issue with another school with this same contractor.”

Regular Agenda

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

Mr. Reilly stated “This report contains 27 schools. There were 22 schools that complied with the policies and procedures for Internal Fund Accounting. There were 5 schools that contained some audit exceptions in the areas of disbursements, vending commissions; one school had a negative balance and some fundraising issues. One concern was the audit of a high school that had a fundraising operation that did not result in a profitable situation. The fundraiser was abandoned and resulted in the Area Office having to pay the vendor, because the item was not handled properly through internal funds. The fact that the purchase was made in the name of the school and was received by the school, the obligation to pay that vendor was the school’s responsibility. The amount covered by the Area Office amounted to over \$25,000 and there was over \$20,000 in sales that was unaccounted for. The current Principal is taking action to attempt to sell the remaining inventory and will ensure compliance with procedures for fundraising.”

Ms. Fertig stated “Was this a single occurrence at Boyd Anderson?”

Mr. Reilly replied “This was one particular fundraiser.”

Dr. Desmond Blackburn added “Action has been taken and all individuals related to this fundraiser have been removed from the school and there is an existing SIU investigation.” Discussion followed.”

Mr. Medvin asked “Are there procedures/controls on a District level to set up parameters on how to do fundraisers? It seems like a breakdown here. Is there something in place to make sure this doesn’t happen again?”

Mr. Reilly stated “Over the years the Standard Practice Bulletins for fundraising activities, cash disbursements and cash deposits have been upgraded and those bulletins provide the procedures to follow for any fundraising activity. One key procedure is that all fundraising activities must be approved in advance by the Principal. There are hundreds of fundraisers conducted each year and most are successful. In this situation, proper procedures were not followed.”

Ms. Greenberg stated “This is the third time around for this Principal and what I’m seeing it was allowed to happen three years in a row. I commend you for telling us what you have done, because that’s what should have happened two years ago. I know you were not there. If it is allowed to happen, it will continue to happen. That is my observation, if somebody gets away with it, they will keep doing it. But if the action is swift and you catch them in the beginning, they don’t do it. On page 69, the Athletic Director said he gave the Principal \$3,000. But the former Principal denied it. Was this a brown bag full of cash? There has to be some record of \$3,000 being given.”

Dr. Blackburn stated “There is still an on-going investigation with this item. Therefore, if possible, I would prefer not to comment.”

Ms. Greenberg stated “Ok, I understand. On page 88, you stated the Bookkeeper is no longer there.”

Dr. Blackburn stated “Correct.”

Ms. Greenberg continued “The response also states that the Bookkeeper would receive a refresher course, but that’s not the same Bookkeeper.”

Dr. Blackburn stated “The Principal recommended the course, but the Area Superintendent decided to remove the Bookkeeper.”

Dr. Mack asked about the \$3,217 negative balance in the Internal Advance account.

Dr. Blackburn stated “The employee was terminated.”

Ms. Greenberg asked regarding Dillard “Did the vendor give you \$37,500?”

Dr. Blackburn answered “Yes.”

Dr. Mack commended the Area Superintendents to the commitment to corrective action plans identified in the school audits.

Ms. Fertig asked “Regarding the \$37,500 that you just recovered, you (Audit Department) should add that to your cost savings list. You do a great job and should add that to your list.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This report contains thirty-two locations. There were twenty-five locations that complied with procedures and policies related to property and inventory. There were seven locations that had some type of audit exception noted during the physical inventory audit. Basically, there were five locations that represented the majority of the unaccounted for items in the amount of \$1.5 million in this report. One trend that I see occurring more often is the number of items found during the physical inventories that are not in the Master File of Asset Records (PNI 811). These items should be added to the inventory in order to track them. This is a major internal control weakness; these are items that do not appear on the inventory.”

Mr. Mark Magli stated “The unrecorded items are a big problem we’ve been addressing all year that was brought to our attention by the Auditor General. I always provide locations with the database that indicates items that are new or location errors, being that they are not on the location’s record. They are responsible for adding them to their record. We have facilitated a new report that we actually review with the Principals and the Directors for items we find in their locations, giving them the understanding of what is expected to give support information, values and such, and provide that to the Financial Reporting/Capital Assets Department, so that those assets can be added to the record. We did not create findings for those, but the twenty-five locations also have those issues, as well. There are a number of contributors to why these items have not been added to the record. In some cases, they may even be below the threshold (under \$1,000 value) that is captured by the District’s Financial Reporting Division. However, it is their job to ensure that things that are supposed to be on there, are, in fact, added.”

Mr. Medvin asked “What are the procedures to get them on there?”

Mr. Magli replied “They would simply provide support information (invoices) to show the purchase and have the item added.”

Mr. Medvin asked “Are all these items purchased at the school level, or is something like a laptop purchased through a central agency?”

Mr. Magli answered “Both. The primary location that is managing that piece of equipment, if they were not to see that on their roster of assets, would know that it has to be added. Once an item is identified that needs to be added, it should be added within the 90 days prior to the next quarterly inventory or an explanation as to why it would not be added.”

Mr. Steve Hurst asked “Does that influence the items dating back to 1979? There have been audits done in the past, so how does an item from 1979 disappear in the last few years, when it was not missing in the last audit?”

Mr. Magli replied “We have a record provided by Financial Reporting, which states ‘these are the items that the schools are responsible for’. We will research to the extent we are able to define the value of that item. The year of purchase is not indicative of its usability, and that’s a factor. A few years ago, we talked about a tractor and the attitude was who cares, it’s just paperwork. The issue is that we have an auction process, and I’ve examined some of the return on that, where those items are sold for over \$2,000. In addition, sometimes, there are coding issues or transfers. When we call something missing from some other place, because we don’t have paperwork, it went somewhere, but is lost in the system. They are doing better with these issues.”

Discussion followed.

Ms. Fertig said “What’s the deal with Everglades?”

Dr. Herbst stated “The first issue with Everglades involves an annex that was turned over to the Construction Department. In so doing, the equipment inside was no longer accessible. It was then dispersed to a variety of different departments and the school did not have internal controls to track it. That’s the first problem. The responsibility is the school’s Principal, who failed to control that inventory, even though he believes he was no longer responsible for it, because the Deputy of Construction at the time, took the facility over and dispersed the equipment.”

Ms. Fertig added “In 2009, I thought that’s what happened during that time period. Is this remnants from that?”

Dr. Herbst replied “Yes it is. It was failure to take corrective action on that portion. We also have an issue with band instruments, which is about an instructor who retired and was not tracking those items with fidelity. It’s not the teacher’s issue; it’s the administrator’s issue, whether it be the Assistant Principal or the Principal. They both failed their duties. The end result is it’s a failure of internal controls.”

Ms. Greenberg stated “This is the third year. Your explanation is totally valid. On page 23, you can see the Auditor stating that he (Principal) didn’t provide a plan.”

Dr. Herbst added “That is correct. The Principal’s rationale, which is inappropriate, was that he did not own that equipment, because the annex was taken from him and he lost positive control of the facility. I dealt with this personally. The annex was taken from him and re-keyed. The items were taken from that annex; however, that’s a case where the Principal then needs to call the chain of command and have us intervene. His lack of response does not fix the issue.”

Ms. Greenberg stated “On page 29, I hope you’re right that he understands the seriousness of this issue, because I wouldn’t want to see a fourth audit exception.”

Ms. Fertig stated “I feel like the Principals are held to a very strict standard, but a lot of times we see the Department reviews. I want to make sure they are held to the same standards and increasingly, while I’m reading these, and seeing that the Auditing Department feels one way and the facility feels another way, which I guess is natural. Regarding BECON, there are two high priced 2008 items. Who’s the person equivalent to the Area Superintendent for departments?”

Mr. Notter stated “The department head and the executive leader over that department.”

Ms. Fertig said “I know it’s been very successful for you to be more hands-on, so I’m wondering if we could be more hands-on with the departments.”

Mr. Notter replied “The Director of the department is more or less, parallel to the Principal. In this particular case, Mr. Carter, is similar to the Area Superintendent, because BECON is under his administrative authority.”

Ms. Fertig asked “Is there an explanation for this most recent equipment that is unaccounted for?”

Dr. Phyllis Schiffer-Simon replied “If you’re referring to the first two items, they are at our location. They are located in our master control. The company is no longer in business and we did not have a serial number and it leads to the discussion, how do you get things on your inventory if you don’t have that paperwork? We do have internal tracking, but BECON has typical office equipment, computers, laptops, printers, copiers, and then we have three huge areas of equipment master control, where things are in racks. There is software, things are inside other things, our production truck and our transmitter site, where there are just cards and loads of equipment embedded in other equipment. When we procured those items, our truck and our transmitter site, they were done as turnkey bids. The vendor wasn’t required to give us individual serial numbers, so we do have documentation, but the invoice doesn’t have the right documentation. We haven’t been able to get it on the BPI list, but it is located at BECON. We can point it out, but we don’t have a serial number, so you could say, emphatically, that this goes with this.”

Mr. Magli replied “This is an issue that we dealt with the last time to enormity. We’re trying to get records corrected and put back in place, understanding the need for serialized recording of this equipment. The follow up piece for getting items added back to the record, subsequent to the last audit, a number of different scenarios that are repeat findings on general management, no different than we have in any other schools. Some of the issues are, as Dr. Schiffer-Simon said, they have a lot of turnkey, unverifiable information, so we expressed the last time, we removed that type of thing from this inventory, but we did express when equipment is installed, when

equipment is upgraded or add on components, there is always a value adjustment that needs to be made.” Discussion followed.

Ms. Fertig asked “So, the solution is getting the serial number?”

Mr. Magli replied “When equipment comes in, have it recorded correctly, have record of installation and submit that information to the people who keep the records, Financial Reporting Department.”

Mr. Hurst agreed that the serial numbers must be obtained for all equipment being serviced. He asked Dr. Schiffer-Simon “If you have redundancy, if you’re taking equipment off line just to get a serial number, are you going off the air to do that?”

Dr. Schiffer-Simon responded “We don’t have redundancy like that. There are serial numbers on equipment in the racks, but we don’t have the matching invoice/paperwork from the vendor, because when we purchased it, we didn’t ask them for that. We didn’t realize that was a requirement. We basically have five areas; we acknowledge that we’ve improved since last time. We do have a way to go; it’s our goal to have no exceptions the next time we’re audited. The steps we’re taking are pulling the Optispool, PNI 811 reports and comparing them. In some cases, we still have Capital Assets doing research, because something will just appear on our inventory. We don’t know what it is by the description. What we found was we had a trampoline and a drum set that we knew we did not purchase. They’re still researching that.”

Mr. Magli stated “I agree. I expected that situation to be resolved during the audit. We started this in September, but that’s the reason we push for an Optispool report, which tells you about changes.” Discussion followed.

Dr. Schiffer-Simon stated “I understand much better now that we are the ones that need to identify a discrepancy and bring it to the attention and keep on it until it’s tracked properly. We have a work order for a cage to keep equipment in. We do have spare parts and equipment that’s not sitting in a rack and to make sure that we keep track of where it is, we’re putting in a cage to lock the equipment. We have three people tracking purchases, including our Bookkeeper, so we’re not purchasing anything where we don’t have paperwork with a serial number. Another area was our school services folks, a school would call and say ‘we have a TV that’s not working; it’s 15 years old and we don’t want it anymore.’ We would then go pick it up, we would have a surplus declaration form signed by the Principal, we would take it and if we couldn’t repair it, we would use it for parts. Now we know we have to send it to B-stock so they can handle it and then we can get it from them. We’re re-creating a different process to better meet the needs of how the Audit Department wants it. We’re tracking within BECON, moving around equipment. For example, if someone retires, the position is eliminated and a laptop goes from one person to another. We now have a master database to show what desk and what room everything is in. It’s a lot of equipment to keep track of and we are geared up to do a much better job.”

Ms. Greenburg stated “The analogy of comparing Mr. Carter with the Area Superintendent leads me to ask Mr. Carter regarding page 36. I’m sorry, but that’s not acceptable, your response to the audit recommendations, your explanation that the audit findings do not coincide?”

Mr. Carter replied “That was the explanation. There’s a reason for the statement. I did not think it coincided, since it appeared to be, in my opinion, an atypical situation. That being, you could not walk in and verify that the item had been purchased and documented with a serial number. The location said that it was there, but the documentation did not support it, which created the situation. My follow up to that would be to memorialize a process to ensure that type of purchase captures a serial number at the time of purchase as part of the purchase from the Purchasing Department, not necessarily the user department. To include the serial numbers and have that serial number follow through for documentation for inventory purposes.”

Ms. Greenbarg added “What I’m trying to point out is that these Area Superintendents gave us pages of corrective action.”

Mr. Carter stated “I’m trying to tell you now, in my opinion, what would resolve that situation and prevent it from happening in the future.”

Ms. Greenbarg said “That should have been here (in the written audit response).”

Mr. Carter replied “That’s my oversight. For the items that are there now, we need to get in and verify the serial numbers that are there, either by receiving information by the vendor or by somehow doing a physical identification of the serial number, so that the item does not re-appear as an undocumented item going forward. For upgrades or replacements, we need to ensure that what’s being replaced or upgraded replaces the existing serial number with a new serial number and is documented as a new purchase, so we don’t have this problem going forward.”

Ms. Greenbarg stated “That’s what I would have liked to have seen in the response. Maybe we could get that in writing.”

Mr. Carter stated “For the record, I can provide the Committee with a procedure that identifies that.”

Mr. Reilly stated “Often times, it’s critical when it’s a warranty issue and the vendor wants to verify that the item is under warranty. The serial number is the key way to identify the equipment. As equipment is swapped out, this allows us to monitor whether we’re getting new equipment or items are repaired. We don’t want to pay for a new piece of equipment, if we’re getting a refurbished or repaired item.”

Ms. Greenbarg stated “I noted that the response from BECON stated they disagreed with the audit finding. The buck stops with the Director of the department. We really don’t like to see ‘disagrees’ with audit findings. We want to see ‘agrees’ and what you are going to do to correct the finding. This is the second time around and I’m very disappointed to see these types of responses.”

Dr. Mack agreed. He stated that the Directors of these departments should be held to the same standards as the Principals. “It’s obvious to me that they are not. When I see the document from BECON, it gives the illusion that the standards are the same, but when I don’t see Ms. Carolyn Brownlee-Fuller in the room, who is the Director of Transportation, I don’t think they are the same. When I see repeat findings, I don’t see any reason for you to disagree and I would think it would be in your best interest to resolve the issues discussed with Ms. Greenbarg.”

Dr. Schiffer-Simon replied “When I wrote my response and said ‘disagree’, I actually said ‘agree and disagree’ and then I was told I had to pick one. I do agree for the most part, for example, in the first one, the point that we have not made progress, I disagreed. I agree that we still have processes that have to be refined and further tightened, but I disagreed that we hadn’t made any progress. A lot of the things in the report last time were corrected, so I was agreeing and disagreeing.”

Dr. Mack said “We are looking for clearly defined actions.” He requested that we move to the transportation section of the Property audit.

Mr. Wolter stated “I’d like to offer Mr. Carter the opportunity to re-present the responses for BECON before we take it to the Board.”

Dr. Mack stated “I would also recommend that we not even discuss the transportation portion of this report without the Director being present and revisit this transportation portion at the next meeting.”

Ms. Greenberg asked Mr. Carter why the Transportation Director was not there.

Mr. Carter responded “I thought it was suitable to bring the people who are directly responsible for the inventory, since the Acting Director really had no responsibility for the inventory in her position. I’m at fault and I accept that. I will have her here at the next meeting.”

Mr. Carter stated he would have the revised responses from BECON on Friday and appreciated postponing the Transportation section until the next meeting.

A motion was made to transmit. Motion carried.

Other Discussions

May 10, 2011 School Board Workshop – Topic – Organizational Chart – Reporting Alignment of the Chief Auditor

Mr. Wolter discussed the workshop to be presented next Tuesday, May 10, 2011 concerning the reporting structure of the Office of the Chief Auditor. He said he would be present to provide comments to the Board, as per previous discussions presented to the Board. He invited the Audit Committee to attend.

Mr. Notter stated “This is regarding the Superintendent’s Organizational Chart in the reporting line of our Chief Auditor. I’m required to have that chart shortly. This one was a very important one. One of our Board members, Ms. Bartleman believes that the Chief Auditor should report directly to the Board. The Superintendent believes that he (Chief Auditor) should report to the Superintendent. This, I believe was debated at a prior Audit Committee meeting and came to a consensus that you believe that he should report to the Superintendent.”

Mr. Wolter added “Our position is that in order to maintain the independence of the internal audit function and the Chief Auditor, today he reports to us as it pertains to the review of audits, he reports administratively to the Superintendent, as we believe he should, from the standpoint of operations/administration etc. and has a dotted line to the Board. Also, any member of the Board can come to any one of us and to the internal audit department at any time with their requests,

statements etc. and nothing will be blocked. If you recall, we discussed that and whether Patrick should sit on the dais. He (the Chief Auditor) is not administration and should not be making administrative decisions. That's your job (Superintendent)."

Dr. Mack agreed.

Ms. Fertig stated "I think John (Herbst) and I were probably the minority report on this, since we are from the City of Fort Lauderdale, where the relationship was recommended by the three people (Commission on Education Excellence through Integrity, Public Ethics and Transparency). The most important outcome of any scenario and what needs to be agreed upon by all is that you have the independence to do what you have to do. Apparently, it is working, as you have seen, as long as it continues with no interference from future Superintendents, and as long as you continue to be independent, and never have to fear that someone will come after you. You all need to be able to be independent. As long as you can stay independent, I'm with you."

Ms. Greenbarg stated "Just to reiterate, nobody that I ever heard at any of those public hearings said that the Chief Auditor reporting structure was a problem. None of those three gentlemen from the Committee (Commission on Education Excellence through Integrity, Public Ethics and Transparency) ever came to this Committee and said 'What do you think of this idea?' It just sprung from nowhere. We have been through dictatorial superintendents in both districts, have had Board members who have publicly insulted Pat Reilly and the Audit Committee. There's no reason to fear their independence with the present reporting system. If you change it, I would fear that greatly."

Ms. Fertig emphasized the importance of auditing construction projects quickly. The closer the audit occurs to the completion of the project, the more likely the chance for recovery of monies that are due back to the District, based on the audit.

Meeting adjourned at 2:15 p.m.