

Old Business

A motion was made to approve the minutes for the June 21, 2012 Audit Committee meeting. Motion carried.

McGladrey, LLP – Audit Update

Mr. Brett Friedman, McGladrey, LLP, Partner responsible for the engagement, introduced Ms. Chantelle Knowles, Lead Manager. Mr. Friedman stated “We began the audit last week. So far everything has been running smoothly and we’ve been receiving good support and assistance from staff. All of our requests to this point have been fulfilled timely. We are looking to meet the November 8, 2012 timeline. We’ve already received the draft of the CAFR (Comprehensive Annual Financial Report), which we have partially reviewed. At this point, we have no issues to bring to your attention.”

Regular Agenda

External Audit Report – Current Status of the 2011 Grand Jury Report – Ethics Related Findings – Marcum, LLP

Mr. Patrick Reilly stated “The District retained the services of an independent auditing firm, Marcum, LLP to perform tests and determine the status of certain actions and items relating to the ethics issues in the Grand Jury report. There were fifty-one findings and recommendations in the Grand Jury Report. Twenty-one of them were related to ethics issues. We have a representative of the firm, Mr. Enrique Llerena, here. Basically, his report concluded that of the twenty-one items, there were nineteen items completed. The recommendations and findings in management’s responses that we completed related to ethics were done. There were two items that are still not complete; one related to the recommendation by the Grand Jury to create an Inspector General’s office or to join Broward County’s Office of Inspector General. The District elected not to join the Broward County Inspector General’s office, but rather to utilize the services of the Department of Education’s Inspector General along with our office, the Office of the Chief Auditor. The other item was related to School Board Policy 1401, the renaming of School Board facilities. There have been some changes requested to be made to that policy.”

Ms. Charlotte Greenbarg asked “As an individual, not speaking for the Audit Committee, I would hope that the District would reverse its decision and utilize the IG (Inspector General). I think it’s really important; the internal Audit Department is stretched to the limit. They have so few people in the department. I think it would be advantageous to gain the public’s trust if they availed themselves of the expertise of the Broward Inspector General. On the second item, naming schools, since November 8th, it’s been discussed; the changes were discussed at the November 8, 2011 workshop. Why haven’t the changes been done yet?”

Mr. Reilly responded “I’m sure that is pending. I can check with management to request an update.”

Ms. Fertig agreed with the comments related to the Inspector General. I think it’s very difficult for members of the public to identify things that they may consider to be wrongdoings to know where to take that to get some real action. If we don’t want to deal with the County’s, then I think we should have our own office, but I think the fact that we don’t have that type of designated individual to go to is a real weakness in our system. Certainly, I support her on this; I don’t know if we want to go forward with a motion or further study this.”

Final – Approved at the November 15, 2012 Audit Committee Meeting

Mr. John Herbst stated “I would echo that. The Inspector General has certain authority that most other people lack, because he has subpoena power and can initiate criminal investigations, which cannot be done with the internal auditor. I would encourage the District to strongly consider the Inspector General.”

Ms. Greenbarg stated “I would like to make a motion that the Audit Committee supports the District’s availing itself of the services of the Broward Inspector General.”

Ms. Fertig added “I would like to amend that the Board avail themselves of those services or create an Inspector General position.”

Dr. Mack asked “Is that a modification to the motion? Do you accept that?”

Ms. Greenbarg said “Sure.”

The motion as amended passed unanimously.

Mr. Reilly stated “The way Palm Beach and Broward County Inspector Generals are set up is that their mission is to respond to inquiries of fraud, abuse, mismanagement in government. For example, Broward County deals with the municipalities in Broward County Government and they have a process on how to handle each inquiry to determine whether they should handle it or if it should be transferred to the State Attorney. They have a well laid out filtering process and their website shows the breakdown on how they handle the calls they receive.”

Mr. Duane Wolter asked “Can someone read the motion again?”

Dr. Mack replied “The motion is that the School Board utilize the services of the Inspector General of Broward County.”

Ms. Greenbarg added “Or, if they choose not to, they should create the District’s own Inspector General.”

The motion was made and seconded.

Dr. Mack asked “Do the Board Members have to go to ethics training each year?”

Mr. Reilly stated “Yes. School Board Policy 1007 requires that each year the Board Members obtain four hours of ethics related training or Sunshine Law training, and the Board Members have to report that each year. That information is filed with the Official School Board Records Department. That has been in place since the 2010-11 school year. There is a workshop on October 23, 2012, that the General Counsel will be providing for the School Board.”

Mr. Andrew Medvin asked “Regarding the preparation of this report, it looks like you asked some questions, got some documentation and put it in the report. Were you able to speak to School Board Members and other officials to come up with your report?”

Mr. Llerena stated “We met with Board Members, the District’s attorney and District staff; we noted what the District’s responses were, we evaluated and examined policies. For example, there were some issues related to retainage and some additional information that needs to be presented. We selected a sample and evaluated that sample to see if the changes that were to be implemented were, in fact, done and the additional information was provided. For that example that we looked at, yes, they were implemented and we saw documentation to see that it was done. There were some items here that were very difficult to test,

because it involves behavior. What I did evaluate was what I could substantiate with policies that were written and documentation that was provided.”

Discussion followed.

A motion was made to transmit. Motion carried.

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. Paul Carland stated “I believe the closed door attorney client session is November 7th. As you recall, the last time we discussed the matter, we discussed the general timeline as the case is proceeding in litigation. At that time, we talked about the fact that there would be court ordered mediation prior to any kind of trial. That’s pretty standard practice. This is going to be an attorney client session with the Board in anticipation of court ordered mediation as the case comes to a focal point in terms of resolving or proceeding to trial.”

Dr. Mack asked “Have we not been going through mediation for the past year or so?”

Mr. Carland replied “Well the case, prior to this point has been proceeding through pre-trial, motion practice, pre-trial discovery, those kinds of things.”

Ms. Greenbarg stated “In the case of a prior issue that we had before us, lobbyists were very active and one particular lobbyist went to Pat (Reilly) and actually expressed his concern that Pat was looking at that item, his client’s item, which I found almost unheard of, but that’s what happened. Have there been any lobbyists for Ashbritt making any contact with you or anyone that you know of?”

Mr. Carland replied “Not with me, no Ma’am.”

Follow Up item #2 - Internal Audit Report – Cypress Elementary School Project #1781-24-01/P000346 and Palmview Elementary School Project #1131-23-01/P000207 – April 2012

Mr. Carland stated “We received the follow up on September 28, 2012 and at that point, I asked Mr. Cooney to investigate. Mr. Cooney has been looking at documents and talking to some folks in Facilities. We certainly recognize at this point in these projects that we’re coming to some decision making points. Certainly Mr. Cooney in his evaluation of the contracts and circumstances believes that there are some contractual defenses that the District would have, should the contractor seek payment for additional days. Because these are still open and pending projects, we don’t think it would be prudent or wise for us to discuss the details of our analysis and those issues; in fact, I’ve had some preliminary discussions with the Superintendent and have given him some preliminary advice about where we see the issues. He’s aware of some of the specifics and leaving here today, certainly Mr. Cooney’s charge will be to work directly with Facilities folks and to involve the Superintendent as necessary as the District moves to close out those projects to best protect the District.”

Ms. Greenbarg stated “You mentioned you were discussing it with some people; have you discussed it with the Chief Auditor?”

Mr. Carland replied “Actually, I was going to, after your questions, let the Committee know, heretofore, there hasn’t been a more formal relationship between my office and Mr. Reilly in terms of following up on audit items. I requested to meet with Mr. Reilly, and in fact, we did, before the Committee meeting to discuss the items that are on the Committee’s follow up. Going forward, I think we have an agreement

that whenever the Committee has follow up items for the General Counsel's office, I will be making time to specifically meet to talk about those so I can be sure I understand the context and fully appreciate the questions from the Committee. With regard to this specific matter, we certainly have the benefit of the audit for us to consider in our analysis of the issues. If Mr. Reilly would like to speak to Mr. Cooney specifically about the audit and the concerns he noted there, we'll make ourselves available."

Ms. Greenberg stated "I would have thought that one of your first instincts would be to talk to the Chief Auditor, who strongly recommended and supported it, that we don't owe these people anything. It would seem to me that would be your first stop, and get his complete take on this and see why he reached his conclusions, rather than 'if he wants to talk to us, we will.'"

Mr. Carland stated "As I indicated, the audit speaks for itself, it's pretty intense. If Mr. Reilly believes there's additional information he thinks we should have that wasn't included, we'll consider that."

Ms. Fertig stated "I had always hoped that there was some communication between these two departments. The Committee routinely recommends, as a result of the audits, that we try to recover funds that were identified. I always thought that communication was there and I hope it's there, I hope it's stronger than it was before, because it was obviously weak and not effective. I hope the priority is to have effective communication between the two offices. I don't see on the follow up list my long standing request that a policy be in place to specify under what circumstances change orders can be affected. I was wondering if Mr. Carland's office had the time to respond to that."

Mr. Carland replied "Ultimately, the recommendation for policy making comes from the Superintendent to the Board. It's not my role to go to the Board directing policy development. If that's the Superintendent's desire to move a policy forward, then my office will certainly assist and cooperate in that regard."

Dr. Mack stated "We will make this an item for the next meeting."

Regular Agenda

Internal Audit Report – Current Status Review of the January 2011 Final Report of the Nineteenth Statewide Grand Jury – September 2012

Mr. Reilly stated "In accordance with our Audit Plan and the recommendations of the Grand Jury, we performed a Current Status of the Grand Jury Report that was issued in January 2011 and received by the District in February 2011. Our objective for this report was to provide an audited Current Status of the fifty-one actions to be taken by management in response to the findings and recommendations identified in the report. An unaudited update was provided by management in November 2011. We looked through each of the items to see what actions were completed, ongoing, etc. As I mentioned earlier, a portion of the findings and recommendations related to ethics were done by an external audit firm, Marcum, LLP. We created a matrix of the actions taken and provided an update on those. We obtained the necessary responses from management on those items that needed additional follow up to see the status and we incorporated that into the report. Of the fifty-one items, forty eight have been completed; there are two ongoing items and one item is open. We discussed two of the items already, related to Policy 1401 renaming School Board owned buildings, which is Item #26 on page 22 of the report. We also discussed the item relating to the use of the Inspector General services. The other open item is related to the development and implementation of on line permitting inspection and close out status component integrated system for the Building Department. That is basically underway, but there are still some things that need to be done, so that is considered ongoing. There was an issue concerning the revision of the construction contracts and that item is underway. We consider that ongoing. The Legal Department has put together a template, not only for construction, but for all contracts, detailing how to implement their

services into the contracts for improvement. We also had McGladrey prepare a report on the Facilities Department that provided a lot of information to improve the contracts relating to CM at Risk and also some of the other contracts. Also, in the District's Agenda Prep Meetings for items being presented to the Board, my staff and Mr. Lindner's staff have made several changes throughout the last two years regarding changes to improve the contracts. We ran into some things, for example, where the RFP didn't have something that should clearly be tied into the contract. We added language to ensure that the contract included the language in the RFP. We've tightened controls related to licensing of contractors, etc. That item is considered ongoing."

Mr. Anthony De Meo asked "What has been implemented regarding #10 in Marcum's report? I thought that the School Board's involvement with staff would be limited to the Superintendent, but you seem to indicate that the School Board Members can individually interact with employees of the School District. Are there any limitations on that?"

Mr. Reilly replied "For example, in dealing with items out for bid, there's a cone of silence that correspondence dealing with vendors and discussions with any members of the Committee are not to take place."

Mr. Runcie added "When I joined the School Board, one of the first conversations I had with the School Board Members was related to that topic. It was my understanding that we would work as a leadership team to ensure that was the process. I had suggested that if I'm not available, those requests could be made directly to the Chief of Staff, who would update me daily."

Mr. De Meo stated "I think, given the reports we've received from your office and the Grand Jury, that policy should be functional sooner, rather than later. I would think the Office of the Superintendent and the Chief of Staff would be the point persons. It seems to me to be a very critical matter."

Ms. Fertig added "This is a complex issue. We had an issue in our community at Fort Lauderdale High recently and I see that Mr. Lindner is here. There were some very angry people who lived in the neighborhood. We had a fifteen year construction project going on. In the final phase, there were some issues with the bus transportation; it was backing up. A meeting was called with Ms. Dinnen, School Board Member, our City Commissioner and numerous staff people. Mr. Lindner was one, the Safety Department was there. The issues were revolving around access and things that had to be determined on what type of plan you came up with; how quickly this would be. Ms. Dinnen did a wonderful job of moderating this meeting and various staff members were there to get input on how to facilitate this over the next month or two. Definitely, you have a Board Member and staff people and the conversation revolved around how we could come up with a solution for this community. I think certainly Mr. Runcie is not at every meeting that occurs, yet he had his designated staff there. I'm questioning if they ever came up with a safety plan to satisfy that neighborhood. Did that involve the expenditure of funds? I see Mr. Lindner is nodding, so I'm going to say 'yes'. Did it affect the safety of children? Yes. There were multiple issues. Was there a record kept of this meeting? I don't know."

Dr. Mack stated "Mr. De Meo's comments and mine are on the same page. We are talking about School Board Members interfering with day to day operations. That is not the function of this Committee. That's the function of the Superintendent's office. When he came here, he said he would like to operate that way, that if the School Board Members needed something from staff, they would go through his office or the Chief of Staff."

Discussion followed.

Ms. Greenberg stated “On page 30, regarding the integrated software system, A.2.f, (item #35) it says reporting features have not been developed due to limited support. I didn’t understand what limited support meant.

Mr. Robert Hamberger replied “Limited support means that the Building Department doesn’t have its own technical person on the payroll, so we end up sharing someone from the ETS Department, but we don’t have them full time. The program that was designed for us is about 98% complete; there are still some glitches in it, which presents some problems with inspection requests, as well as permitting problems. We have an inability to produce any reports, because the technical person who designed the system really doesn’t have the time to complete the system, as yet.”

Mr. Runcie asked “Is this a custom built solution?”

Mr. Hamberger replied “Yes, it is.”

Did we explore any commercial options?”

Mr. Hamberger replied “I think we’re so far into the design with only a few percent to go, I don’t think there’s an option to go buy anything.”

Mr. Runcie asked “How long is the development process?”

Mr. Hamberger responded “It started early last year, February or March 2011. It’s operative. We started using it on September 1, 2011.”

Mr. Runcie stated “In general, I’d say the first option is to go look in the market place for solutions, because these things take an enormous amount of time and School Districts generally don’t do a good job in the software development business. Secondly, when those individuals leave or things are not documented properly, these things tend to drag out for quite some time. Sometimes when you get to that 98%, the last 2% takes longer than the first 98%.”

Mr. Hamberger added “The program is very good and I think the solutions are easy; it’s just a matter of putting the time in.”

Ms. Greenberg asked “Could you find a way to get someone to get it done?”

Mr. Hamberger replied “I’m not in charge of that; I’m in the Building Department, not in Technology, so that’s really not my call.”

Dr. Mack stated “I don’t like your statement that this person doesn’t have the time. I think his priorities should be adjusted, Mr. Superintendent and give them the support that they need. That’s my recommendation. I’ll let the Superintendent handle that.”

Mr. Hamberger added “One of the suggestions that was made to me by the Director of IT (Information Technology) was that perhaps we could have someone assigned to our Department for a while.”

Ms. Greenberg asked “On item #42, page 36, the ongoing status of these construction contracts, in as much as McGladrey provided templates that they know work and they told us they gave the District templates that work, in as much as it was the contracts that are causing and have caused the big problems in this District, because the contracts were terribly problematic, how they were written, a lot of loose ends that weren’t tied up, very vague. How long should it take to get this done? I would like an end date on the contract completion issue.”

Mr. Reilly stated “I’ll get with Mr. Lindner and Mr. Carland. I know a couple of meetings ago, there was a schedule that showed which contracts they were going to revise first. I’ll follow up on that for you.”

Ms. Greenberg stated “That’s a crucial item to get these contracts right.”

Ms. Fertig added “We had this conversation when we received the McGladrey report and one of the frustrations we expressed at that time was that they reiterated many of the things that Pat’s department had been pointing out for years. Some of these things date back quite a period of time. I thought at that time we talked about having a schedule of when these things would be accomplished.”

Dr. Mack stated “Add that to your follow up for the next meeting.”

Ms. Greenberg stated “Another thing that I’m not clear on is while we’re not using CM at Risk, the TPMs are being used much like CM at Risk. For instance, the TPM was used for roofs. I’ve raised that issue in front of the Board. Why would you use TPM to replace a roof? What are you doing with the TPM contracts?”

Mr. Reilly replied “I’ll follow up with Tom Lindner about that. I think there were some changes made to that one also.”

Ms. Greenberg added “The entire use of the TPM contract, the most appropriate, most cost effective use of the TPM contract would be something else I’m interested in.”

Dr. Mack stated “I’m not satisfied with the answers we’ve been given, so why don’t we get an update on that at the next meeting.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Current Status Review of the Interim Report of the 2002 Fall Term Grand Jury on School Board Construction – September 2012

Mr. Reilly stated “We performed a Current Status of the 2002 Grand Jury Report. In the current Grand Jury Report, an update was requested on that. Originally, when we performed the Current Status, there was a total of thirty-one findings and recommendations in the 2002 report. We performed a Current Status in 2004 and twenty-two items were completed; there were nine items still pending up to the point that we reviewed this. Eight of those have been corrected. One item is still ongoing. That had to do with reducing the backlog of safety items that are generated throughout the year. There was progress made, but we felt that was still an ongoing item. There was some technology that was going to be added to make the item more efficient, as far as reporting, and that item has been on hold for four years, since it had to do with the second phase of the SAP system. Right now, they have put together a section related to handling it manually, although things are brought over to the Maintenance Department also. There are two things there; the safety issues and the issue about the punchlist items that the Maintenance Department is aware of on those types of repairs. On page 10 of the report, there is a breakdown as to how Maintenance is being updated as to the punchlist items, the operational manuals and so forth. It’s really not up to the original plan of having something better on line. That’s on hold.”

Ms. Greenberg stated “On the technology, the second wave, I remember we sat in this room and the prior Superintendent told us there was no money for the second wave and therefore, it would have to be placed on hold. That was about three years ago. Even if there was money, would it still be relevant three years later? I know this District has a patchwork technology, like ships in the night, they pass, but nothing ever interacts because of the way it was purchased. Is there any hope for any money for the second wave? Would it matter at this point in time?”

Dr. Mack stated “I’m sure the Superintendent has no idea what you’re talking about. Since then, the District has taken steps to make the system work despite the shortcomings of the original design. I’m going to forget that you asked that question, because there’s no answer to it.”

Ms. Fertig stated “I’d like to agree. I had the same thing noted on here. We started with the 2011 Grand Jury and now we’ve worked our way back to the 2002 Grand Jury Report and ten years later, we still haven’t addressed what is probably one of the most significant issues of our School District. That is that our children should be learning in a safe, secure environment and we can’t respond to safety. We still can’t catalog all of the things. I don’t think we can hold the Facilities and Construction Management Division responsible for the fact that we don’t have the infrastructure in place to account for what’s happening. I think this should be a priority. It’s not just in the safety; it’s not what you just spoke about, it’s in keeping track of the equipment and things that have been lost because we didn’t do that second phase, which was a critical phase. If it’s outdated, there has to be someone who can answer these questions in less than a year, less than six months, certainly less than ten years. I would hope that we would express to the Board that following up on all of this recordkeeping is a priority and that without it, we are never going to really know what situation our District is in. It’s very difficult for the auditors and for the people working in the field. I think this should be a priority, coming up with a system that keeps track of everything.”

Dr. Mack stated “We need to have an audit of the IT (Information Technology) Department. All the things we have been talking about are the responsibility of the IT Department. We don’t really know what’s happening in the IT Department. Pat hasn’t been able to put that into his audit plan, because he didn’t have the money.”

Mr. Runcie stated “By the end of the month, we should have selected a candidate for the CIO position.”

Ms. Greenberg stated “The Facilities Task Force has been for years discussing this item and the need to get something that functions. The management system is crucial, as Mary said.

Discussion followed.

A motion was made to transmit. Motion carried.

Review of Donations Earmarked for Exceptional Student Education Programs Received from 2012 WalkAbout Autism Event

Mr. Reilly stated “This item is regarding donations from the Dan Marino Foundation where forty-one schools received donations relating to the WalkAbout Autism Event. The schools were given an opportunity to receive 25% of the proceeds back to the school. We reviewed that with the intention of determining if the donations received were properly recorded into the schools’ internal accounts, as required by School Board Policies and that the monies that were donated back were properly designated in the donation account to support ESE programs. Basically, 76% of the schools handled the donation properly. There were 7% (5 of the 41 schools) that returned that donation back to the PTA. It was a school activity and should have been controlled by the school and that money should have been used for the purposes intended. Once it goes back to the PTA, you’ve lost control. We did have a couple of schools that did deposit the money into the Internal Funds, but into the General Fund, rather than the intended ESE account. We’ve incorporated this into our follow up of Internal Funds. We have contacted the schools’ Principals who did not comply with the two policies to advise them how to handle future donations.”

Dr. Mack stated “I’m concerned about there being no management responses.”

Mr. Reilly replied “This was something we wanted to get out quickly to the locations and we will be doing a follow up when we review the schools’ internal accounts.”

Dr. Mack stated “I understand what you’re saying, but when we send an audit report to the Board, it’s very clear what the audit findings are and management responds and that’s a part of the report.” Dr. Mack asked that the report be brought to the next meeting with responses.

Ms. Fertig stated “In this report, 25% of the schools did not comply. Even though they are small amounts of money, it’s important to those people, and there are a lot of people who participate in these walkathons. I think it’s important not to lose the perspective, that for the volunteers in these schools who donate their time for the kids, it’s especially important to account to them for this money.”

Ms. Mary Lou Ruderman added “I completely echo Mary’s words. What I think was interesting is that there are schools on here that had issues that are not the normal problem schools. Yes, it’s small dollars, even if you’re a great school and you do things well, it’s good to be reminded that these are the procedures and this is what you need to do.”

Ms. Greenbarg stated “I was taken back to the extravaganza we had with one of the high schools that was putting money in the PTA and the Bookkeeper was sitting there filing her nails, and the money was being used for things that it shouldn’t have been used for. It was actually the creation of a Principal’s Discretionary Fund that was not allowed to be created. This was not the only school that did this and it’s important that the money be accounted for and deposited properly, because that was a lot of money and went on for thirteen years. To have faith in the system and confidence in the District, things need to be done right, and even if it’s given to the PTA, which is a wonderful organization; if it’s not supposed to be there, it shouldn’t go there and these schools should know better, very frankly.”

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

Mr. Reilly began “This report contains sixteen internal fund audits; twelve of the schools complied with procedures and policies related to internal accounting. There were four schools that had multiple audit findings related to yearbook, receipting and disbursement procedures. The responses are included. We are making a slight change in the report due to the elimination of the Area offices. The Principals will still be responding to any audit issues and the Director responsible for that school will also be responsible. Dr. Blackburn will be looking over the responses.”

Dr. Mack asked “Who, from the educational side, will be sitting here where the Area Superintendents used to sit and answer our questions. You can’t.”

Mr. Reilly stated “The recommendation several meetings ago was not to have representatives of the schools here, unless it was a special request.

Dr. Mack asked “Was I absent at that meeting?”

Ms. Greenbarg replied “I remember that.”

Mr. Runcie stated “If we have items here with exceptions, we need someone here to respond. We’ll make sure there is someone here to respond in the future.”

Mr. Reilly stated “There is a written response from the Director and Principal.”

Dr. Mack stated “And I don’t like it. I want that person sitting right in front of me so I can get my questions answered. On page 47, you’ve got a Principal here who disagrees with everything. I look at the

Director's comments, which don't even relate to what the Principal is saying. I need someone here with authority who can speak sensibly of these things, because I'm not going to have the School Board come down on this Committee for not doing what we've been doing in the past. I don't want the School Board to have any questions about anything that comes from this Audit Committee. I want you to go back, Patrick, and get some responses that make sense for pages 46-47."

Mr. Duane Wolter asked for a new response for pages 65 and 66."

Ms. Fertig stated "It's alarming to me, after the amount of time we spent discussing this, to see the use of student funds being used for staff functions. I thought on this subject that there was training for the Principals to ensure that they knew that all monies collected by students for student use were only to be used to benefit students."

Mr. Reilly stated "It all started back when the schools had a Principal's Discretionary Account. That became abusive in that all the money that went into that account went right back out and was being used for staff accommodations and gifts. Between the Audit Committee and the Board, there was a decision to look at that account. A Committee was formed and various Principals were on the Committee. The final decision was to eliminate the Principal's Discretionary Account to eliminate all those types of purchases that were not for student benefit. They made an option that if a donation was made and the donor wished to give a portion of the donation for a staff luncheon, for example, that money would be deposited into the Sunshine/Faculty account and from there, that would be the one agreed upon location where some money could be used for staff. That was it, but what's happened since then, I don't know if there was a summer camp to figure a way around this, but many schools began using the SGA (Student Government Account). They would put the money in this account, and then \$15,000 or \$20,000 would come right back out and be used for staff. This is what happened here and has been happening for the last couple of years. The Principal would, for example, take \$20,000 from the General Fund and transfer it to SGA, then SGA would put on a luncheon for the staff. If the Student Government does a fundraiser for a staff luncheon, that's great, but if you're taking money from the General Fund and filtering, basically laundering the money through the SGA account; that's circumventing the elimination of the Principal's Discretionary Account. This has to be a management decision. Right now, zero is the amount that should be used for faculty. There are Hospitality and Public Relations accounts to be used when guests come to the school. The intention was to eliminate all the staff luncheons, etc. that would be taken from vending commissions, for example, which should be used to benefit students."

Dr. Mack stated "I would like to recommend that you meet with the Superintendent on that particular activity and tell him everything about this whole business of using money from the General Fund, vending machines, all of it. Let's leave that to him to resolve as a management matter. Bring this report back at the next meeting with revised responses."

Ms. Greenbarg stated "Regarding page 65, I am gratified that we will no longer be seeing insulting, unprofessional, demeaning responses in this area."

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated "We reviewed eighty locations in this report. Seventy-three locations complied with policies and procedures; there were seven locations that contained some audit exceptions. We also added some information pertaining to unrecorded assets since 2010. There are items we are observing during the physical inventories that are not on the inventory list. For that period, there were \$11 million worth of items that had to be added to the inventory. That's something that needs to be worked on. A good process now is the requirement of the bi-annual inventory by locations and the reports that kick out by exception when something is added or deleted to your inventory. There are multiple reasons why something is not

on a location's inventory. It could have to do with the coding of the item or something that was brought in that was not added to the database correctly, such as purchases made from Internal Funds.

Mr. Mark Magli added "As Pat mentioned, it's the schools' responsibility to respond to the items that are in the record, but understanding what items have to be there. That report was compiled as a result of many years. The dates that are listed for that sample was when we really started hitting heavy on it here."

Dr. Mack stated "As you recall in my Annual Report, this is the same item. Essentially, when they decided on this threshold of \$750 going up to \$1,000; that meant there would be more items that would not be a part of our inventory process. I suggested to the Board that accountability for that property be established too. There are policies in place, the problem is, Mr. Superintendent, that they are not following the policy."

Ms. Greenberg stated "In light of the unpleasant correspondence that we had from someone representing these folks (Principals) who are supposed to be responsible for this property, I'm looking at locations ignoring the directives, I'm looking at page 63 on these \$11 million worth of stuff belonging to the District. People are ignoring the directive. There's no clear resolution. We've got a few here that have repeat exceptions. I look at page 38 and I see 'the Office of School Performance and Accountability' will monitor the school's progress and hold the Principal appropriately accountable should future audit exceptions occur, but this is the fourth one. Give me a break. They know it's a game to get a response like this on the fourth one."

Mr. Magli stated "For that particular location, the Principal was not at that location for all of those audits. He did come in and do a clean-up job, but since then, there's been a little slippage."

Ms. Fertig stated "On page 16, printers for ID Badges; is that outdated equipment?"

Mr. Magli replied "I'm certain that they were part of the certification and badging process that they go through at SIU. I believe the issue with those particular printers was that there was some sort of an exchange that took place that we really didn't see on a document; it absolutely wasn't reported to the Records group. I believe those things probably got traded in and we've spoken to them about that trade process and how that should be documented. Those are, in fact, the badges that we all wear around the building."

A motion was made to transmit. Motion carried.

Meeting adjourned at 2:05 p.m.