

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

November 15, 2012

Dr. Henry Mack, 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. A moment of silence was observed for the men and women in the Armed Forces serving our country. Members and guests were introduced.

Members Present Mr. Anthony De Meo
 Mr. Ken Evans
 Ms. Mary Fertig
 Ms. Charlotte Greenberg
 Mr. Andrew Medvin

Staff Present: Mr. Robert W. Runcie, Superintendent
 Mr. Jeffrey Moquin, Chief of Staff
 Mr. Paul Carland, General Counsel, Office of General Counsel
 Mr. Ben Leong, Chief Financial Officer
 Mr. Oleg Gorokhovskiy, Director, Accounting & Financial Reporting
 Mr. Scott Krutchik, Accounting & Financial Reporting
 Ms. Marjorie Nguyen, Accounting & Financial Reporting
 Mr. Omar Shim, Capital Budget

Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Delores McKinley, Director, Internal Audits (OCA)
Mr. Joe Wright, Facility Audits, OCA
Mr. Mark Magli, Manager, Property & Inventory Control, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present: Mr. Brett Friedman, McGladrey, LLP
 Ms. Chantelle Knowles, McGladrey, LLP
 Mr. Robert Mayersohn, District Advisory Committee

Old Business

A motion was made to approve the minutes for the October 11, 2012 Audit Committee meeting. Motion carried.

FOLLOW-UP ITEMS

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. Reilly stated “The first follow-up is related to the Ashbritt Audit. I spoke with Mr. Carland and he stated that there is no new information at this point. There was a closed-door session, but at this time, he stated there was no new information.”

Item #2 - External Audit Report – Current Status of the 2011 Grand Jury Report – Ethics Related Findings – Marcum, LLP

Mr. Reilly stated “The Committee requested an update on the item referred to in the Grand Jury Report. The follow up that was performed by Marcum LLP related to the ethics items. There was a policy #1401 Naming of School Board Facilities related to proposed changes to be made to the policy. There is a workshop scheduled on December 5, 2012 to make those updates. The points that will be addressed in that workshop are outlined for you.

Mr. Reilly stated “The other two follow-up items have been postponed until the January Audit Committee meeting.”

REGULAR AGENDA

McGladrey, LLP – Comprehensive Annual Financial Report (CAFR) – June 30, 2012

Mr. Brett Friedman, Partner, McGladrey, LLP, stated “In your packet, you have a couple of items related to the financial statements. There is a draft of the Auditor’s Communications of the 2012 Audit Results, along with the draft Comprehensive Annual Financial Report (CAFR). I see there is also a memo that was prepared by Oleg Gorokhovskiy of the Accounting/Financial Reporting Department. This is in draft pending the final issuance. Once it’s finalized, you’ll receive the final SAS 114 report, as well. In the report, page 1 shows the required communications that we, as the external auditors, in accordance with Statement of Auditing Standards 114, are required to have with the Audit Committee members, as the individuals charged with governance. We conducted the audit in accordance with auditing standards generally accepted in the United States and the standards contained in financial audits of the Governmental Auditing Standards. The financial statements that are included are the responsibility of and have been prepared by management. It’s our responsibility to review and evaluate the fairness of that presentation and we’re prepared once this goes final, to issue an unqualified opinion on the School Board’s basic financial statements as of and for the year ended June 30, 2012 with our report dated November 7, 2012. An unqualified opinion is the best opinion we can give as auditors, which states that the financial statements are fairly presented. It doesn’t provide commentary on the operational aspects; it’s merely stating that what’s been reported is fairly presented with generally accepted accounting principles and reflects the activities and actions of the School Board over the past year. I’d like to point out that this year,

being our first year, we received a lot of assistance from Mr. Pat Reilly and his team and also from Mr. Ben Leong, Mr. Oleg Gorokhovskiy and their team. Everyone was very accommodating in working with us to ensure that we met this very difficult timeline of early November. Management has the responsibility of the appropriateness of the accounting policies; it's our responsibility to review them and determine if there are any questions or concerns that we may have. In our review, we didn't have any concerns over the accounting policies being applied by management. We didn't identify any significant or unusual transactions or any significant accounting policies in controversial or emerging areas that would raise questions, as far as having a lack of authoritative guidance. As far as we are aware, management did not have any conversations about alternative treatments, anything that would be outside of following generally accepted accounting principles. Management's judgments and accounting estimates are really the core part of the financials that are potentially subject to adjustment or influence by management. A lot of the activities that happen within a School District's financials are a matter of cash receipts and disbursements, which are pretty straight forward, but there are some significant accounting estimates that are in there. Also, we had a couple of audit adjustments that were presented to management and recorded by them, which have been included in the current CAFR. There were also some past audit adjustments. Those items were things that we found that should have been recorded differently, but are not considered to be significant or misleading to readers, so the decision not to report them is not a significant item. We are always looking to make sure the financial statements are fairly presented. We had no disagreements with management. As I mentioned, they were a pleasure to work with. We received support from everyone including the Superintendent. As far as we are aware, the School District did not have any consultations with other accountants. There were no significant issues that arose during the audit. On page 4, one of the key accounting estimates to be aware of is the accounting for Other Post-Employment Benefits. We looked at the School Board's accounting policy for this; we looked at their process, which relies significantly on a third party actuary. We did a review of the actuary's credentials. We had our own consulting actuaries review the reports. We looked at the underlying data involved and the estimation process. Everything they did was in accordance with actuary standards and what's been reported by the District was in accordance with generally accepted accounting principles. The same thing goes for the actuary assumptions used for the School Board's self insurance program. We again looked at the actuary reports prepared by the School Board's third-party provider; looked at the reasonableness of their approach; they use a variety of methods to calculate it. Our specialist felt that their methods were acceptable with actuary standards. One of the things the School Board is required to do is to record things at their net realizable value to ensure that there will be funds coming in, also the appreciation of capital assets, which is of less significance, and mainly appears at the government-wide level, which does not have a direct impact. The primary focus is on governmental funds, particularly the general fund of the School Board. As far as areas of emphasis during the audit, we focused on getting an understanding and documenting the internal controls of the cash receipts process, expenditures and cash disbursement process, payroll processes and self insurance. We also tested the IT (Information Technology) general controls over the School Board system, as well as significant application level controls in the payroll system. We reviewed the accounting and reporting for new debt issuances, procedures for monitoring compliance with significant debt covenants."

Dr. Mack asked "What were your observations regarding ETS?"

Mr. Friedman replied “We had some items there with a mix of systems. We did not find issues or deficiencies in the actual IT general controls, but it does seem that there are areas there for potential gains in efficiency by having a system that is more consolidated, by not having multiple systems speaking to each other. One of the things we did come across when dealing with staff, was the inability to get reports efficiently because of multiple systems talking to each other. It’s not as efficient as having one system with all the data, where it can be manipulated.”

Dr. Mack stated “My concern is customer service. It’s been reported to me that they’ve asked for certain items and were told that they didn’t have time to do it. I’m wondering if you identified any operational deficiencies or areas that could be improved, dealing with customer service, specifically.”

Mr. Friedman continued “We evaluated the School Board’s investment policies, and we found everything in accordance with Florida Statutes and the disclosures to be appropriate. Another item on pages 6 and 7, these are all new standards that will impact the School District in the future. GASB 61 may have significance to the end financial statements. Staff is still in the process of evaluating it, but it could have an impact on the accounting and reporting for Charter schools and the Broward Education Foundation (BEF). The financial reporting for the BEF is not in the report yet, but according to Mr. Pat Reilly, we should be receiving it shortly. There may be a potential there where that entity may not have to be part of the School Board’s reporting entity in future years. That’s a matter of evaluating the new standard and making a determination. We’ll be working with management to review their analysis. Down the road, there will be some new accounting standards, particularly GASB 67 and 68, which will deal with the pension plans. That will have a significant impact on the appearance of the Government-Wide Statements, because although the School District is primarily part of the Florida Retirement System, there will be an obligation to record, on the face of the statements, the School Board’s portion of the obligation for those retirement benefits. Right now, that information is not reported at all on the School Board’s report; there is just a reference to the FRS financials, but in the future for fiscal year 2014, the School Board will have to record and obtain those amounts from the State.”

Dr. Mack asked “Can you make a note to give us a follow-up report when these new GASB Statements will be implemented?”

Mr. Friedman replied “Yes. Lastly, in the audits, you’ll see different adjustments, some are considered significant and others aren’t. On page 8, you’ll see we had a few audit adjustments that were recorded, one for the self-insurance long-term liability and a couple related to the deferred revenue. Regarding the two items for the deferred revenue, the key thing is that the time these items were recorded, it’s basically an accounting issue. Under governmental funds modified accrual basis, if the monies are not received within what’s considered your available period, you have to reverse that receivable revenue into a deferred revenue item. In each of these cases, one is money due from the State; the other is money due from Broward County. In both cases, due to issues outside the control of the District, those funds were not delivered to the School Board. Those are valid items that were earned by the School Board, but under Governmental Fund Reporting, if it is not available in 60 days, then it gets recognized as deferred revenue and becomes a timing issue.”

Mr. Anthony De Meo asked “Were any of these deferred revenues subsequently collected?”

Mr. Friedman replied “No, they have not been at this point. Mr. Omar Shim is here and I know they are working with the State to try to get these funds and the other is with the County.”

Mr. Shim stated “The first one is the impact fees, which is Adjustment #2. Those funds were received last week. The County was behind. Typically, they do provide those funds within 60 days, but they were backed up for one reason or another. They actually provided the last two quarters last week.”

Dr. Mack asked what that amount was.

Mr. Shim replied “That was 2.3 million this quarter.”

Ms. Mary Fertig asked “Regarding the Broward Education Foundation, will they continue to receive money from the School Board and not have any accountability for it? How does that work?”

Mr. Reilly stated “Right now, the District provides them with office space and salaries for a couple of employees. The rest of their revenue comes from their fundraising activities. There is a lot of discussion about that. The accountants for the Broward Education Foundation believe that more than 75% of their operational funds are handled by themselves and therefore, they are not dependent on us. Every year, we have been recording their financials in the CAFR, but maybe next year, it will be formally stated that the Charters and the Broward Education Foundation may not be required to be reported. I think we discussed a couple of times the formula to look at to see whether they are really dependent or not. Their Board of Directors feel that they are an independent entity, and not a component unit. I think everyone agrees that this year, as in the past, they should be included as a component unit.”

Discussion followed.

Ms. Charlotte Greenberg asked “Did you say that we supply the BEF with office space and two employees?”

Mr. Reilly responded “I think its office space and three employees.”

Ms. Greenberg replied “It sounds to me like they are pretty dependent. That’s a lot of money, an office plus three employees’ salaries with benefits.”

Mr. Reilly replied “That’s the argument. They feel that they still bring in a significant amount of funds, but this is the arrangement right now. I can follow up at the next meeting.”

Mr. Friedman stated “Once we receive the BEF financials, we will issue a final report.”

Ms. Greenberg asked “On page 28, I see general fund revenues and expenditures. As last year, you have a deficiency of revenues of almost \$99 million dollars.”

Mr. Ben Leong responded “Every year, we transfer about 70-80 million dollars, which you can see on the bottom line of the transfer, which is for the maintenance costs.”

Ms. Greenberg asked “So you’re transferring \$80 million to Maintenance?”

Mr. Leong stated “Yes, and the other \$20 million is from the Ed Jobs money, which is prior year. We didn’t spend all the Ed Jobs money that is in the General Fund. That will make up the deficit of \$99 million.”

Ms. Greenberg stated “I remember when a transfer of \$25 million was considered unacceptable. People were really upset about that; now I’m looking at an \$88 million transfer to Maintenance. That’s a lot of money.”

Mr. Leong stated “In accordance with the law and given the situation with the General Fund, that we just don’t have the money to perform maintenance, the State allows us to transfer the amount equal to maintaining the schools, and that amount of \$80 million includes about \$14 million in property insurance for all the schools.”

Mr. Oleg Gorokhovskiy added “That is correct. That is the property insurance for all of our schools. There was \$55.5 million for the maintenance transfer and \$10 million was for capital outlay improvements for Charter schools. This is the money that comes to the Capital Funds and is then passed on to the General Fund to be expended.”

Ms. Greenberg asked “So, \$10 million went to Charters?”

Mr. Gorokhovskiy added “The actual Maintenance transfer was \$55.5 million.”

Mr. De Meo asked “Were you able to use the work of the internal auditors?”

Mr. Friedman answered “Yes, we reviewed their reports. One of the things found by Mark Magli was capital assets that we used to consider in our testing. As far as placing reliance on the internal auditors, we found it more efficient to do the testing ourselves.”

Mr. De Meo added “Related to that, the sixty-six Charter schools, did you rely on the independent auditors’ reports for each of those or did you do additional work?”

Mr. Friedman answered “We placed reliance on them; we did obtain every one of their reports and copies of the peer review reports from the auditors that performed those audits. And we agreed on all of the amounts from each of those Charter schools.”

Dr. Mack asked “I’m concerned about the net effect of the number that we talk about in Charter schools (which is included in our District’s Enrollment). In one place it gives the impression that the enrollment has no effect, but as you look further, and we speak of enrollment, it does. What is the significance of this comment?”

Mr. Gorokhovskiy said “We can definitely remove the comment; this was taken from the District’s communication. The number is accurate. I understand what you are referring to.” Discussion followed regarding Charter school enrollment figures.

Ms. Fertig stated “When you look at the enrollment of the District, the Charter Schools are one segment of that one line item on that, but they’re part of the total at the bottom of the District, I want to know how you would separate them out, because they’re part of the total enrollment.”

Discussion followed.

Dr. Mack thanked Mr. Friedman for a job well done, and stated he could use pages 37-45 for our Audit Committee training. The draft report was approved.

A motion was made to transmit; motion carried.

Internal Audit Report – Audit of the Internal Funds of Selected Schools (Deferred from October 11, 2012)

Dr. Mack stated “The Superintendent is not here. I’d like to make it very clear that the Audit Committee wants someone sitting on that side of the room who can deal with the issues and questions that we raise, as a committee. We don’t expect that you, as his representative and/or the Superintendent, can sit here and adequately answer our questions. We are not suggesting that a Principal be over on that side of the table either. We don’t want to talk to Principals; we want to talk to the Directors or whoever it is that makes their comments regarding the responses by the Principals. In other words, they’re going to provide the same information that the Area Superintendents used to provide. So we’re going to go ahead and deal with these audits, even though we don’t have the information that we would normally have, because there’s no one here to give it to us. This is the report that we deferred from the last meeting because of a lack of responses from administration.”

Mr. Reilly stated “We discussed this report at the last meeting, and to recap there’s 12 schools that complied with the audit procedures and policies. We had four schools where we had some exceptions, and there were two schools that the responses from the Principal weren’t accepted by the Committee. Since that last meeting, we went back and requested that they revise them. Dr. Blackburn has reviewed and submitted those responses, so the report now has the revised responses for Everglades High School and Cooper City High School.”

Ms. Fertig said “May I just ask a question? I’m sorry I did not go back and compare what we got last time with what we got this time. Did they actually change the letter, but keep the same date on it?”

Mr. Reilly stated “They definitely changed the letter, I can tell you that.”

Ms. Fertig said “I’m looking specifically at the letter from Cooper City, dated April 4, 2012. They changed the letter significantly, but kept the original date. Just from a point of record keeping, I personally have a problem. I would have preferred to see the date that it was actually written, not go back and undo a document that was already submitted.”

Dr. Mack stated “I’ll tell you what had happened Mary, the audit report itself has a date, and you would not want a response that would be later than the dated report; makes sense?”

Ms. Fertig said “It makes sense; it just seems to me, to have them send a different response or corrected response or amended response is one thing, but to have them just substitute an entire new letter for what was here before, personally I just have a problem with that.”

Mr. Reilly said “Would you prefer to have both letters in there, one identified as the prior and revised letter?”

Ms. Fertig said “Have it identified as the revised at the request of either the Audit Committee or the Area Director? Yes, I would prefer that. I think that’s a more accurate reflection of what transpired.”

Dr. Mack stated “That’s going to make someone look awfully bad, and if that’s what you want to do, that’s exactly what’s going to happen. And then the reason, my reason, was to be sure what they said made sense, was logical and was the truth, and I don’t want to mix it up.”

Mr. Reilly stated “One of them was written by the former Principal who is retired, so the new Principal has provided the new response, so I guess I was just trying to go with the most current.”

Ms. Fertig said “It’s just the date that bothers me. I don’t care how it’s accomplished; I just have a problem with totally changing a document that’s a public record and substituting it in the place of another public record. It just doesn’t seem right to me, but I understand our concern and why we asked to have changes made or give them the opportunity to respond in a way that might reflect or answer questions better. But I just have a problem with totally having a public document disappear from the public record.”

Dr. Mack stated “Well this has happened over the years, it’s a common factor, it’s the first time you mentioned it. It’s been happening ever since you’ve been here.”

Ms. Fertig said “I know it was, yes.”

Dr. Mack stated “Well in the future, we can deal with that issue, but let’s let this one go. Any other comments; If not, I’m going to obtain a motion to transmit.”

Ms. Fertig said “Can we discuss this first. I just really, and we’ve got another one coming today, but reading all the backup on this, I clearly hope that somewhere along the line we’re transmitting a recommendation for more training (and I know you’ve already done it) but more training with these Principals on the appropriate use of these funds, because we’re seeing this every time we have an audit. We’re seeing student organizations giving money for faculty events. Reading the back up of this, they’re trying to qualify for some award, where they’re showing they have a great relationship between the faculty and the students, but just by the virtue that you would apply and qualify for that award, is emptying your entire account. I just think that’s problematic and I don’t fault the Principals, I don’t fault the students, I just think there needs to be more training, more clarity on this issue. I think the words themselves need to be looked at, if you can qualify for winning an award for spending your (students’) money for a faculty event.”

Ms. Greenberg said “Mary, I really don’t think it’s a matter of training. I mean this has been going on long enough; the Principals know exactly what they’re supposed to do. I think it’s a matter of consequences, there needs to be consequences for misusing money, for taking monies that are intended for students and using it for purposes that are not for the students. I don’t think it has anything to do with training, and for the most part, maybe 5% but not 95% of it. I mean this is the kind of thing, that when looking at a school that is supposed to give students money for whatever it is that they need, and then students are made to pay to participate in activities, you see a correlation there.”

Dr. Mack said “That was my comment, except I was going to turn to Jeff (Moquin) and say that rather than training, that the Superintendent could put a stop to this overnight, just by executive order by Director. And once they see that the Superintendent is concerned about the same things we are, that’s going to cause some behavioral modifications. But I think that’s a managerial issue and we will request that the Superintendent’s Office fix it.”

Ms. Fertig said “It just seems that the first time I really remember this coming up was a couple of years ago with Northeast and we talked about training and then we had the next meeting and we talked about it again. But it just seems that the number of audits where this is happening is increasing. Consequently, if it’s increasing and they have been trained and understand the policy, maybe we could reiterate these financial policies to them and then attach that to consequences to ensure everyone clearly understands.”

Dr. Mack stated “Let me give you a little bit more on this, because we feel the same, we’re not comfortable with this thing. We’ve had some organizational changes here. When we had Area Superintendents, we had a level of oversight that we influenced. You heard me say a moment ago that we need that level of managerial supervision to answer our questions and to place those kinds of responsibilities and follow up on their shoulders, with the basic responsibility of the Superintendent. Because of organizational changes, there has been disregard for some policies and Pat and I have discussed this item over the years, and after the basic policy was announced, it seems like someone else had another meeting to tell these people how to get around the requirement, because it became uniform and we have seen this in subsequent audit reports. This is why I’m saying, make the Superintendent aware of our concerns and let him deal with the issue. He did the reorganization; his predecessor did some reorganizing, so now on our side of the coin, we’re seeing the effects of it.”

Ms. Fertig stated “These are audits from last year when we still had those Area Offices and we’re seeing it in multiple high schools, and I think the first time that we saw it, we said training. I know that’s what we said. I just think that now we’re going to see this again in a minute on another report, and it’s increasing, its expanding; however we want to say it, it just needs to be dealt with or we just need to change the policy and say fine. I just feel like this is something that’s not getting better; it’s getting worse, and this was an audit done last year.”

Dr. Mack said “And I agree with you, but it’s a question of who’s got the action here. As I said, we are thinking maybe Pat, as the Chief Auditor, should sit with the Superintendent and explain our concerns about these matters and we’ll pull Jeff out of the middle of this thing, because it’s going to take some high level action to reverse it again. We saw it before, we saw it when it diminished and got to be manageable, and it was rare to even see one audit exception, so now we’re seeing two or three schools in one audit with that same kind of activity going on.”

Mr. Ken Evans asked “Are the bookkeepers bonded at the schools?”

Mr. Reilly stated “Yes.”

Mr. Evans continued “The one thing I was thinking is that the bookkeepers could send reports in and have the auditors look at them on a more regular basis.”

Mr. Reilly stated “They have to provide a monthly report to what used to be called the Internal Accounting Area, but it’s now a Business Center, but they have that and we periodically look at those, we have access to look online through the Great Plains software, so we can see that, but I think this is kind of coming to a head a little bit too. Between the last meeting and this meeting, I met with Dr. Blackburn and also the Principal of the high school that’s in the new audit report. I think there’s still a feeling that there should be some kind of amount of money that could be spent for staff, but the key point was there was a committee; they eliminated the Principal’s Discretionary account; there was a way to have a little bit of money go through the Sunshine account, where if a donation came in, there could be some money set aside for the teachers and staff. But according to policy, the real number on how much they can spend for staff is zero, and if management wants to change the policy, that’s a whole different thing. That’s not an audit issue. Currently, that is the policy, so that’s what we audit against.”

Ms. Greenberg added “I have to remind everybody that one of the prior Area Superintendents had been doing exactly the same thing for years at the school when he was a Principal, so that’s how they learn it.”

A motion was made to transmit. Motion carried.

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

Mr. Reilly began “The next item is also an internal funds report containing nine schools, of which seven complied with all the policies and procedures. There were two schools with exceptions, as we discussed, one having to do with the use of the funds through the Student Government Account and then the other school had some issues with some financial reporting and basically loans made to staff’s Sunshine account, which is not permissible, and a couple of yearbook items.”

Ms. Greenberg stated “ On page 41 regarding Taravella High, the response from the Principal states that expenditures from student accounts resulting in teachers receiving gifts of food or merchandise have ceased and will no longer continue. They’re not supposed to get anything from them, are they? Like please don’t eat the daisies kind of thing?”

Mr. Reilly replied “That’s the Principal I had met with Dr. Blackburn and he just now plans on complying with the policy.”

Mr. Andrew Medvin asked “I have a general question, in reading these over, maybe it’s just a question of terminology. I’m looking at the various statement of changes of fund balances, I noticed on the account labeled Trust specifically, there seems to be an awful lot of funds in and out, and I’m just personally confused with the term Trust in this case. I’d like an explanation so I can understand it better.”

Mr. Reilly replied “Probably, the best thing to do is give you the breakdown of which items flow in the Trust accounts and what items flow into the Club accounts. It’s an accounting of where you’re holding the money for whatever group it is. We used to give a breakdown of all the Trust accounts, but we’ve consolidated. Depending on whether it’s a high school or an elementary school, there are significant differences.”

Mr. Medvin asked “Does that mean if the school is sponsoring a trip and the parents pay for the trip, the money goes into that account? Is that basically what you’re saying?”

Mr. Reilly stated “Yes.”

Mr. Medvin asked “For instance, at one elementary school on page 20, you have \$193,000 coming in and \$195,000 going out, which is by far the largest percentage of anything on the schedule.”

Ms. Delores McKinley added “There could be funds for After School Care in there also. The After School Care is in Trust. The money comes in; the parents pay for the After School Care, and the After School Care monies go to the District.”

Mr. Medvin added “So, it’s basically monies that are coming in for the parents.”

Mr. Reilly stated “And sometimes there’s money accumulated to purchase something, like if they want to buy something, such as computers that they’re raising money for, they hold it in there.”

Mr. Medvin stated “But, it’s basically money being raised?”

Mr. Reilly stated “Yes, and held for a specific group or activity for something that will be expended in the future.”

Dr. Mack said “I have a question. You probably got the same problem I had. The designations of a Trust fund or Trust account in this District have a different meaning than what you and I know. That was the beginning of your question, but I think we’re OK, we just have to, as an Audit Committee, get accustomed to the terms and the different definitions of those terms, because the rules change and are certainly different in our interpretation of a Trust Fund, as compared to the District’s.”

Ms. Fertig stated “Now, I’m just thinking, you’ve done such a great job explaining this here, and I know that we think that a lot of people may be just ignoring or working around the rules, but if we were to take a combination of these two audits and draft a memo that says exactly what you said here, because it’s so clear, and make sure every High School and Middle School Principal and maybe every Principal, receives that, and the members of the Audit Committee, then we would all know that everybody has communicated on this issue. That’s just a suggestion for the Superintendent, I’m not telling him how to do his job, but I’m just making that suggestion.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This is a group of fifteen locations, which basically represents \$9 million in property for these fifteen locations. Fourteen of the locations complied with all the procedures. There was just one location that had some audit exceptions. In general, of this group, there were only eighteen items representing a historical cost of approximately \$28,000 that were unaccounted for, so that’s pretty good.”

Ms. Greenberg stated “I’m just noticing on page 7, although it’s not a huge amount, there still are multiple problems in this one school, and every so often you get one school that just can’t do it or whatever it is, but what’s it going to take?”

Mr. Mark Magli stated “We discussed this at the last meeting. There have obviously been some changes that you’ve exhausted discussion on with oversight. I’m not sure; in some cases there’s been extensive training over the years. This last particular year there’s been some changes. I think that perception of some other things being modified in the overall process of reporting may have influenced that, but this location in the past, we’ve had some situations, obviously. We thought they’d be in a good situation after the clean up and they had been going in that direction, but now we had a little backslide. In some cases, in this audit in particular, there’s several audits in there where we worked with the people and they had some pending issues that had not been resolved and they were able to adequately document those things and in some cases here, this particular thing, there were again some issues that we were able to resolve with a physical verification, but overall processes, we were still concerned with, and hopefully they have addressed or will be addressing those things.”

Dr. Mack stated “I think that with Jeff and the new Superintendent, neither one of those guys will put up with that kind of stuff and hopefully the Superintendents’ Office will join us in bringing about the change. Jeff’s been around a while and he can advise the Superintendent from his perspective. Well, I think that you’ve done as much as you can do at this point, except to follow up on what you did before, but we’ve certainly done our oversight of this situation as good as we can do. And again, now I think Jeff and the front office has to put the foot down. I know it doesn’t carry the priority of some of the other things that we’re dealing with at the Superintendent level, but you can use your own judgment in how to get that message across. I hate that every time I go to him, I have to be complaining about something.”

Mr. De Meo asked “Just a comment. I don’t know, don’t they trust you with seven assets? No exceptions, that’s a good thing.”

Mr. Moquin replied “I’m not sure if you know my history. At one time, I was the Supervisor of Property and Inventory Control before it became an audit function. I will say having some knowledge of this, I think Mark does a tremendous job in offering his counsel to the schools. Also, with our abandonment of some of our technology initiatives, that if you look at our Fixed Asset System, trying to maintain 100% accuracy in real time with a paper and pencil process and schools that have thousands of assets that they are responsible for, can be difficult. I’m not saying it’s not possible, because we have many schools that do it. I think there are opportunities to leverage technology to relieve some of the administrative burden.”

A motion was made to transmit. Motion carried.

Review of Donations Earmarked for Exceptional Student Education Programs Received from 2012 WalkAbout Autism Event - Deferred from October 11, 2012 Audit Committee Meeting

Mr. Reilly began “This is an item that we brought back from the last meeting. We were asked to review this by a Board member. The schools received donations and were entitled to receive back 25% to assist in the ESE programs. Our scope was to verify that the monies came into the

school and the monies were properly posted into the accounts, according to the donor's wishes. We followed up and we received responses from each of the eight Principals who did not deposit the money into the correct account or chose to give the money to the outside organization, rather than including it in the internal funds, as required. For a school activity, the money should be deposited into the Internal Funds. At least two of the schools have received the money back. At one school, neither the PTO nor the school had received the money. The Dan Marino Foundation issued a check to that school last week. Those schools are aware of the proper procedures for the future."

Ms. Greenberg asked "On page 17, there is no amount for one of the schools, I believe it's Meadowbrook."

Mr. Reilly replied "There is still one on the schedule that hasn't received it yet; that's the only one and they are following up. We checked on Horizons and they placed a stop payment on that check."

Ms. Greenberg asked "For Meadowbrook, it states the PTO made a donation to the school, but it doesn't give the amount."

Mr. Reilly replied "I'll double check, but it should have been \$504.30. Maybe they didn't list it."

A motion was made to transmit. Motion carried.

Meeting adjourned at 2:05 p.m.