

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

March 7, 2013

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. Moses Barnes
Ms. Mary Fertig
Ms. Charlotte Greenberg
Ms. Jeannie Jusevic
Dr. Henry Mack
Mr. Robert Mayersohn
Mr. Andrew Medvin
Ms. Mary Lou Ruderman
Mr. Nick Sakhnovsky (attended via phone)

Staff Present:

Mr. Robert W. Runcie, Superintendent
Mr. Jeffrey Moquin, Chief of Staff
Mr. Paul Carland, General Counsel, Office of General Counsel
Ms. Shelley Meloni, Task Assigned Chief Facilities & Construction Officer
Mr. Damian Huttenhoff, Director, Athletics & Student Activities
Mr. Omar Shim, Director, Capital Budget
Mr. Denis Herrmann, Design & Construction Contracts,
Mr. Russell Wood, Office of Facilities & Construction
Ms. Cyrilla Bradley, Transportation Department
Ms. Rosemary Russo, Family Counseling Coordinator
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Delores McKinley, Manager, Internal Audits (OCA)
Mr. Robert Goode, Manager, Facility Audits
Mr. Gerardo Usallan, Manager, Facility Audits
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
Mr. Rob Broline, McGladrey, LLP

Dr. Mack began “Mr. Steve Hurst, Vice Chair, is no longer a member of the Audit Committee; therefore, I’m going to appoint Ms. Charlotte Greenburg to serve the remainder of his term. We have new members on the Audit Committee. I’m going to take a moment to welcome you and give you a short orientation. Normally, the orientation of new members is done by Ms. Greenburg, but considering what I read in the minutes of the last Audit Committee meeting, we don’t have time to wait. Mr. Superintendent, I’d like to apologize for the conduct of this Committee at the last meeting and assure you it will not happen again on my watch. Ladies and gentlemen, we do not make demands of the Superintendent. There’s only one person who can ask him a question. That’s me, the Chair. Secondly, I’d like to explain what the Audit Committee is not. We are not a part of the management structure. The Audit Committee is not a platform for any individual or group of individuals to express their personal opinions or try to be superstars or impress people with their individual brightness. We are here to assist the Superintendent and this Board and that’s the extent of it. The only individual on the Audit Committee who is authorized to speak to the media in the capacity of an Audit Committee member is the Chair. I want that to be clearly understood. The Audit Committee does not tell the School Board administration how to do anything. We simply report our observations of the audit findings and recommend that they take the appropriate action to correct it. Then we leave it up to the Superintendent and his management staff to determine how it’s to be done, unless we are specifically asked for our advice as individuals or a collective group. For anyone who does not follow these procedures, I will take the necessary action to have them removed by whoever appointed you or by the Board, if necessary. This Audit Committee is highly respected in this District, and it’s because we have performed as professionals for the past 13 years.”

Ms. Mary Fertig stated “For the record, although I was quoted in the newspaper, it was a comment that I made in this meeting when there was a reporter present, nothing that I made outside of the meeting.”

Old Business

A motion was made to approve the minutes for the January 24, 2013 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 regarding the requested update for the Ashbritt Audit. The second item relating to that is the request regarding the report performed by Berkowitz, Dick, Pollack & Brant.”

Mr. Paul Carland stated “In regard to the status of the case, mediation was actually set for today; unfortunately, counsel for the other parties had situations arise and they asked for the matter to be rescheduled. The tentative dates for the rescheduled mediation are April 2, April 3, or April 4, 2013. That is the timeframe we’re looking at to go to mediation. Regarding the other information related to the case, I’ve had some discussion with the Superintendent. It continues to be my strong advice to the Superintendent, to the District and this Committee that the requested

information remain confidential until we can include the litigation, so that we can go forward with the District's interests. Once the case is completed, that information will be public."

Dr. Mack stated "The District has been waiting and waiting and waiting. We honored your request, but at this point in the game, you need to come back to us with something that is not case sensitive, something in general to let us know where we are. We need to have some idea where this is going. As I said, one of our functions is to make recommendations to the Superintendent and to the Board. We are unable to do that sensibly without some kind of input from your department. I'm asking you to consider doing that. It can be a short memo or something, but give us something to go on, something that is not case sensitive that will not influence the outcome of the arbitration."

Mr. Carland replied "I'd love to be able to help the Committee. I'm not quite sure I understand what I could say that would not divulge the case strategy. At this point, it's obviously important that we hold that close to the vest as we go into a dispute resolution process involving a matter in litigation. I'm not sure what I could give you."

Ms. Charlotte Greenberg asked "On the issue of providing the Office of the Chief Auditor the report performed by Berkowitz, what we discussed last month was that it would be very difficult if this goes to trial, if the Chief Auditor is called to the stand and cannot testify to the facts of the other audit, if he doesn't see it, which would put us at a disadvantage. This is why we want him to see it."

Mr. Carland replied "If the case is not resolved at mediation, the dynamics of the case will change significantly. If we're going to be proceeding to trial, a lot of that information that I think you're interested in will certainly, at that point, be coming forward in a more public fashion because of it going to litigation. At this point, when we're trying to resolve the matter short of litigation, we are taking the advice that we've been given about keeping the information confidential at this point. I understand your point, Ms. Greenberg, about having informed staff and personnel, should they be involved in litigation. Certainly, if that should occur, Mr. Reilly would be fully briefed on what he needs to know if he were going to be involved in that level."

Ms. Greenberg stated "I'm not asking that the Audit Committee see that audit, only that Pat Reilly is permitted to see that audit. I think it might be valuable, even in the mediation process. I'm sure he'll have something interesting to offer, once he reads that audit, that might help you in mediation, but you won't know until he reads it."

Ms. Mary Fertig stated "I understand your concerns, but we were thinking, historically, as this unfolded, part of the original problem was that Pat's department was not involved in the initial conversations. This happens all the time, and then after the fact, we find things that might have been able to be done differently if the Auditor's advice was involved. I don't think we were asking to see anything, just that their office (OCA) be involved, since they uncovered the initial issue."

Follow Up Item #2 - October 11, 2012 – Miscellaneous Discussions

Mr. Reilly stated “The Committee requested a follow up on the written procedures in place to specify under what circumstances change orders can be used vs. re-bidding the additional scope of work.”

Mr. Carland stated “As the Committee is aware, for the last meeting when this topic came up, I did communicate some information to Mr. Reilly. When I read the minutes from the last meeting, I got the impression that the Committee felt like I was being flip with you about the issues at hand. I certainly want to express to the Committee that was never my intent. The question that I was trying to respond to and still believe is on the table for the Committee, is whether or not it is possible for the School Board to articulate in policy a criteria by which decisions are made as to whether or not additional work on a project proceeds via a change order or through a new procurement process. The answer is yes. It is my opinion, that as a matter of policy, the Board could promulgate criteria that say under these circumstances, we proceed via change order, but under these circumstances, we might proceed through a separate procurement process. My response to Mr. Reilly that I believe was misperceived, was that I indicated that I had not been asked to participate in discussions on what that policy might look like. What I was trying to communicate to the Chair and the Committee was that ultimately policies are the rules that the Superintendent and his staff have to live by to do their work. It’s inappropriate for me to dictate what that criteria or policy language might be, because that’s something the Superintendent has to work with. All I was trying to imply was that when the Superintendent and staff were ready to begin developing that language, I certainly would be a part of that process and would come at his invitation. As a result, Mr. Cooney, Ms. Meloni and I met earlier this week to actually start discussing if that was the Superintendent’s direction to go to the Board to recommend policy language in this area, what, in fact, that would be. We discussed some of the elements that would need to be articulated in a policy that would take care of the issue that the Committee is concerned about. I believe Ms. Meloni is prepared to expound upon what we discussed. I’ll be happy to stay, in the event that you have more questions for me.”

Dr. Mack stated “I have no more questions for you. I just received this change order review paper. I don’t react this fast and neither do my Audit Committee members. We will take this document under advisement and if we have any questions, we will communicate with the Chief Auditor and he will get back to you. We would like anything you submit to us done in a timely manner. We receive our audit packages on the Thursday, one week prior to each meeting. This is very aggravating. Need I say more?”

Ms. Shelley Meloni stated “No.”

Follow Up Item #3 - January 24, 2013 – Internal Audit Report - Audit of the Internal Funds of Selected Schools

Mr. Reilly stated “Regarding Internal Funds vending commissions being used for faculty accommodations, Mr. Runcie asked me to meet with Dr. Calabrese to ensure that training is being provided to Principals. Since the last meeting, we met with Dr. Calabrese and will be having a training session with Nell Johnson, which will be scheduled for the next few weeks.”

Follow Up Item #4 - January 24, 2013 – Internal Audit Report - Audit of the Internal Funds of Selected Schools

Mr. Reilly stated “This training has not occurred with the new Principal, but will be included in the training that will be performed and will be provided in the next few weeks.”

Follow Up Item #5 - January 24, 2013 – Internal Audit Report – Review of U.S. Security Associates Inc. Invoices Pertaining to Bid 27-013T – Security Guard Services for the Period from July 1, 2009 through December 31, 2012

Mr. Reilly stated “The Committee requested a list of all contracts and we furnished that in this Audit Committee package.”

Dr. Mack asked what the Committee would be doing with the list. He stated that the Committee should be careful with what they request of the Audit Department, because this creates additional work for the audit staff.

Ms. Greenberg asked pertaining to the list of all contracts how buyers were assigned to the different categories of bids/purchases. She noted that some buyers had significantly more bids/contracts than others.

Mr. Nick Sakhnovsky asked “Regarding the Security Guard audit, is it common for the auditors to review these 250 contracts?”

Dr. Mack replied “The function of the Audit Committee is to review audit reports and make appropriate recommendations. The Chief Auditor reports to two people, the Superintendent and the Chairman of the Audit Committee. He’s been doing this for some time. If he sees the need for additional information, the Superintendent and I leave it up to him to determine what information he needs. That is his function and we stay out of it. The Audit Committee annually approves the Audit Plan. For the past 10 years, we have always jumped on him, because he commits to more, and does it with less. Fortunately, we now have a Superintendent who recognizes that and he has begun to keep the promise that the Board made to this Committee three years ago to increase the staff of that Department. We don’t need to put any more audits on him that are outside of the Audit Plan, because it stretches his department to the max.”

Ms. Fertig asked “From what I’ve seen over the years, you don’t audit every one of these contracts, but you might audit one or two randomly. Was that your question, Nick?”

Mr. Sakhnovsky asked “Since the construction contracts are not in this list, I was wondering how many other contracts the School Board has and how many, in a given year, actually get audited?”

Dr. Mack replied “That is not the concern of the Audit Committee. We deal with contract specifics, resulting from reading and studying audit reports. We can’t fix everything and we have limited time to work on these audit reports. Any additional work we place on the Audit Department and the administration is unreasonable.”

Follow Up Item #6 - June 21, 2012 – Current Status Review of the January 2011 Final Report of the Nineteenth Statewide Grand Jury

Mr. Reilly stated “The Committee requested to see the fourteen construction contracts that were reviewed by our office, our Attorney’s office, with recommendations made by McGladrey back in June. These fourteen contracts have been updated and implemented with the recommendations and they were provided to the Audit Committee.”

Ms. Greenberg asked “Is there anything in there that you wouldn’t want to see and is there anything you would want to see that’s not in there?”

Mr. Reilly replied “I think McGladrey added a lot of recommendations to the contracts. I think Ms. Meloni added some things. Our attorneys looked at them. I was concerned about the Right to Audit Clause and they improved that. The contracts are all “living” documents, so if something comes up, they can be adjusted, as needed.”

Ms. Fertig stated “I’d like to thank Mr. Carland and Ms. Meloni for coming with that change order process. We’ve been asking for so many years, and I really appreciate your response.

Mr. Moses Barnes asked “I’d like to go back to items #3 and 4 of the follow ups regarding the training for Dillard High School. Mr. Reilly stated that Nell Johnson would provide training for Principals, but I didn’t hear you say Athletic Directors.”

Mr. Reilly replied “We have a report on Athletics, and that training is scheduled for April 5, 2013 for the Athletic Directors.”

Mr. Barnes asked “Will that training address the specifics that we continue to see that go on at schools? I feel there should be some direct specifics to address the exceptions that continue to come up over and over again. I think a lot of Athletic Directors and Principals already know, but as a part of that training, the focus should be on these exceptions, rather than spending time on the mundane things.”

Mr. Reilly replied “We’re going to talk about those items.”

Regular Agenda Items

McGladrey, LLP – Current Status of the Operational Review of the Office of Facilities & Construction

Ms. Meloni stated “Based on the operational audit by McGladrey, staff had responded to the initial audit immediately implementing certain recommendations, developing and implementing other recommendations and finalizing responses to the audit within the January 31, 2013 deadline. A final report was issued by McGladrey. One of the things that staff has since done is responded to outstanding observations #17, 18, 25, 26 and 29, as well as ongoing recommendations #39 and 40. Staff has developed 43 procedures or changes for the 43 recommendations and has already implemented 36 of the 43. Two of the remaining recommendations, #39 and 40, are reported as ongoing, because they require funding. Recommendations #17 and 18 require approval of contract language bidding, and award of contracts. Observations #25, 26 and 29 were in the development stage at the time McGladrey had issued their report dated January 24, 2013; however, they were subsequently completed and have been implemented. We have discontinued the award of contracts that were in conflict within the

audit and plan to issue and award the revised contracts upon School Board approval of the revisions.”

Mr. Rob Broline stated “I’d like to discuss the seven items that, at the time of our report, were considered not to be implemented. On the transmittal letter on page 1, we recommended that the Office of the Chief Auditor perform a follow up on those recommendations not implemented in the future.”

Dr. Mack stated “You are recommending that the Office of the Chief Auditor do something that you were contracted to do and were not able to do for whatever reason.”

Mr. Broline replied “No Sir. This was at the request of the Chief Auditor. We had a discussion. We followed up on everything that was completed at that time and this is the result of our report. There are a few items that were implemented, but they didn’t have the opportunity to be put into use, because they didn’t have that type of contract yet.”

Dr. Mack asked “Let me make a recommendation to you to strike that sentence and indicate that you will come back and do the follow up to ensure that those things are implemented, for which you have already been paid.”

Ms. Jeanne Jusevic stated “I’m confused, because the very first sentence of this executive summary states that we’ve conducted a follow up on our operations review of the Office of Facilities and Construction, as outlined in the objectives. Are they presenting their follow up? Isn’t this the follow up, Sir?”

Mr. Broline replied “Yes, it is.”

Dr. Mack asked “What are you confused about?”

Ms. Jusevic replied “I’m confused about the way you’re talking to the gentleman. I’m confused as to whether or not you’re confused that this is a follow up.”

Dr. Mack stated “I’m not confused. I’m sure he understands that the way I’m talking to him is the way I talk to everybody. You’re not offended, are you?”

Mr. Broline replied “No, Sir.”

Dr. Mack stated “This is Dr. Mack, get used to it.”

Ms. Jusevic stated “I’m sure we’ll get used to one another.”

Mr. Broline stated “On page 2 of the Executive Summary, we say ‘implemented but not in use’. In other words, based on our tests and follow ups, all these procedures and controls in that category were designed and were there, but there wasn’t the opportunity to apply them. It could be a couple of months, if that contract is not used in construction. It could be three months; we don’t know. That was a way of identifying, really for the sake of the Office of the Chief Auditor,

to say these are items we will encompass as part of their work. Mr. Reilly had asked us to include a recommendation to that effect, and that's why it's in there."

Mr. Reilly stated "I'm committed to follow up on those items. I think the point is that Dr. Mack feels that maybe you need to come back and look at those also. Is that correct?"

Dr. Mack stated "Exactly."

Mr. Robert Mayersohn stated "Has McGladrey completed the scope of work that they were supposed to perform? You're saying they haven't completed that scope of work."

Dr. Mack said "Yes, that's precisely what I'm saying."

Mr. Broline stated "Moving on to the Executive Summary itself, Ms. Meloni has highlighted some of these things; you can see two basic buckets of the recommendations in our follow up procedures, first related to the redline recommendations. That relates to all the proposed modifications we had for both architectural, professional services contracts, as well as construction contracts. You can see that fifteen of those have been implemented. Overall, they've implemented 36 of the 43 recommendations, leaving 7 not implemented, and those two buckets are broken out between not implemented and ongoing. If you look at the definitions, implemented means fully implemented from the standpoint of not only being designed properly, but also we can see it actually operating. The second category is implemented, but they haven't had the opportunity to put that in use. If we redline a contract, but they haven't had another GMP contract, it could be six months or who knows when you'll use that contract again. Regarding the items that are categorized as not implemented or ongoing, observation #17 on page 18, we have an update showing what was done to satisfy the recommendation and our testing, which states whether we were satisfied with what they did. In all cases, we were satisfied, but this was one that was not implemented. In terms of how they will address that, we were satisfied. This dealt with RS Means, and they were using this as a way of pricing everything and our recommendation was that they shouldn't be the contractual basis. You can use RS Means as a guide or as a cap internally, but not as the contractual basis for determining pricing of the contract. They agreed and the contract was adjusted accordingly so that no longer would RS Means be this contractual basis, but certainly we're very comfortable with them using it as an internal tool. The status is not implemented yet because it hasn't gone to General Counsel yet. Once it goes through that process, it will be."

Ms. Greenbarg asked "In the footnote, it states that reviews may occur periodically and may result in further improvements. Who would be reviewing this?"

Ms. Shelley Meloni replied "This would be done internally, as well as by our Audit Department."

Ms. Greenbarg stated "Thank you."

Mr. Runcie stated "The scope of McGladrey's work was to look at each of the recommendations, observe whether they had been implemented or not, and provide some recommendations. It is also my desire to have ongoing periodic review to ensure continued fidelity of implementation. I don't intend to retain McGladrey. I believe with the support of our internal auditor periodically looking at some of these processes, we'll be able to ensure that they are maintained. Whether the

recommendations are implemented or not implemented, all recommendations have been reviewed by McGladrey. Is that correct?"

Mr. Broline stated "Yes."

Ms. Meloni stated "I'd like to clarify that all contracts have been reviewed by our Legal Department. The next step before we implement any of them is to get Board approval."

Ms. Fertig stated "If I understand Dr. Mack correctly, the average person reading this might misunderstand it, given the fact that at times, Facilities has been criticized for not implementing something, it may be better to use a word other than implemented. They've done what they were supposed to do. Maybe these should be titled 'awaiting Board approval' to make it clear that everything that was supposed to be done up to this point has been done."

Mr. Runcie added "I agree. I'm saying the same thing."

Mr. Mayersohn stated "It sounds like the recommendations have been phased in, but they haven't been implemented due to Board approval."

Mr. Broline added "If you look again at the definitions and how things have been categorized, every single contract except the one that hadn't gone to General Counsel, is in the implemented category, because our recommendation was to put something in the contract and give it to General Counsel. They did that. The Board can do what it wants in the end. That's out of our control. The description 'implemented, but not in use', we're saying these are done, but you haven't had the opportunity to put them in use yet. An example would be where there's a control place for reviewing GMP construction projects, but there aren't any going on right now. We can't test them doing that yet, so that's one that we show as implemented, we saw the design, the checklist. It has been implemented, but not in use."

Mr. Runcie asked "Can we change not implemented to not in use?"

Mr. Broline stated "We do show them as implemented, but not in use. We are saying it's implemented, but not in use. There are five not implemented. Recommendation #18 is very similar in that they weren't sure how to do this, this was a contract related recommendation that didn't quite get to that category of implemented. It didn't get to General Counsel yet. That's why it's not implemented."

Discussion followed.

Ms. Greenbarg stated "I'm looking at page 25, where the status is not implemented. You had the requirement existing, but it wasn't being fully enforced. That's another reason why this District got in trouble, because they weren't following their own procedures and enforcing their own contracts."

Ms. Meloni stated "We've since taken steps to ensure that there is compliance."

Ms. Greenbarg stated "It's the same thing on page 26. On page 33, is the Office of the Chief Auditor satisfied with this demand letter and the results, the amount demanded, etc.?"

Ms. Fertig asked “I had that same question and I was wondering what the demand letter asked for?”

Mr. Reilly replied “We have not audited this item. I haven’t looked at this item. This was done in the day-to-day operations of that department. Since it was a project that McGladrey had looked at earlier, they followed up on it. I don’t have the answer on the amount or if I concur with it, since we did not audit that.”

Ms. Meloni stated “We are still resolving issues on that project, so there are several things we need to do before we finalize it.”

Ms. Greenberg asked for a follow up on that item.

Mr. Nick Sakhnovsky asked “Is the Chair satisfied that McGladrey’s scope of work was completed at this time. I know there was some discussion earlier.”

Dr. Mack replied “My questions and concerns have been satisfactorily addressed.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Review of the Cooper City High School Design Build Project #1931-P000877 – Shell Subcontractor’s Performance & Payment Bonds Status

Mr. Reilly stated “This is a review pertaining to the bonding of subcontractors on this project. We looked at the project and the subcontractors and the main contractor’s actions with the handling of the subcontractors. We noted that the contract was not followed on the handling of when a subcontractor is removed by the General Contractor and a new subcontractor is hired. We also determined that since the subcontractor had to be bonded, we recommended that the insurance premium on the bonding that would have been incorporated into the final GMP (guaranteed maximum price) of the project be reimbursed to the District. Also, the General Contractor decided to self-perform the work. We were concerned as to whether the employees of the General Contractor were actually performing the work. We determined that the subcontractor that couldn’t be bonded ended up performing the work, but giving the appearance that the work was being performed by the General Contractor, under the term self-performing. We looked into that and obtained a legal opinion. The Legal Department felt it was OK. It was an issue of ways and means of how the General Contractor performed. In this case, it was a design build contract. I’m talking about the main contractor, the General Contractor who’s running the project can do that. I think the key point is when they switch subcontractors or choose to self-perform, they need, per contract, to let us know of that condition. That gives us the opportunity, because we have the right to know when a subcontractor has changed and to know who’s on the job. Those are the three main things that occurred on the project.”

Ms. Greenberg asked “Is the Facilities Department going to let the Chief Auditor know the method used to determine when this credit comes through?”

Ms. Meloni stated “We will.”

Ms. Greenberg asked “On the other recommendations where there were follow ups from the Office of the Chief Auditor, are you going to comply with the requests?”

Ms. Meloni replied “We will comply.”

Mr. Sakhnovsky asked “In support of the Chief Auditor’s remarks, sometimes when contracts are awarded that include the Minority and Women’s enterprises among the subs, notification of that is also important because that may impact the contract, as well.”

Dr. Mack stated “I’m glad you brought that up, because that was my point. Bonding requirements for many years were used to keep minorities and women from getting contracts. I hope I’m not seeing another system of excluding minorities and women from obtaining contracts with the School District. The Minority and Women’s Enterprise audit by the Office of the Chief Auditor is in the Audit Plan for this year, Mr. Superintendent, and I’ve been assured that he (Mr. Reilly) is going to do that.”

Mr. Runcie added “We’ve had three meetings so far with minority contractors and I think at the last meeting, there were over twenty recommendations from them. We discussed some of these barriers and challenges. We had the Facilities staff and Purchasing Department actively working and meeting periodically to look at things we can implement to reduce those barriers and also to do better tracking and monitoring on how well we are doing. We have regular reporting on this. What we would like to do is to ensure that our processes and practices in this area are equitable, fair and transparent as we go forward.”

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “There were twelve internal audits performed. Eleven of the twelve schools followed the policies and procedures and had no exceptions. One school had some findings related to disbursements and unpaid liabilities.”

Ms. Greenberg stated “I really like the response on page 44, because it gives specific dates of when they are going to implement the things they state they will do.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “We have two reports. The first report contained 25 locations, of which 23 locations followed all prescribed policies and procedures. There were two locations that had some exceptions. Overall of the 25 locations, this \$30 million that were audited, only 53 items valued at \$93,000 were unaccounted for.”

Dr. Mack stated “Ms. Meloni is gone, but I think her letter on page 12 is good. It’s a direct response and shows action to be taken.”

Ms. Greenberg stated “I would have liked to have seen a date on page 12, rather than ‘near future’. This is the fourth time around.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations (deferred from January 24, 2013)

Mr. Reilly stated “We have one other Property and Inventory report. This was deferred from the last meeting. The only location that had some adjustments to it was the Transportation Department.”

Dr. Mack asked “Why was this report not transmitted at the last meeting? We don’t transmit reports to the Board when the Office of the Chief Auditor has not received management’s responses or we fail to get information on the Audit Committee. Very rarely do we do that. I’m going to ask the new Audit Committee members, if I’m not here, please don’t defer transmitting unless absolutely necessary.”

Ms. Fertig stated “I made that motion to defer this, and I don’t normally do that. I really felt that there was so much on this that had not been accounted for. I felt it was important to come back to the Audit Committee for us to know that every remedy had been exhausted in locating the equipment. Sometimes when it goes to the Board, we don’t hear about it again until the next year or the year after that when there’s another audit performed. What I wanted to know was what changed between January 24 and March 7.”

Mr. Reilly stated “The answer to that question is on page 28. Our office got back with Jeff Moquin’s office and for the next 30 days, we gave them an opportunity to verify the items that were originally unaccounted for. They provided us with a list. Mr. Magli’s crew went out and verified 254 of the 334 items that were listed as unaccounted for.”

Dr. Mack stated “Everyone knows we’ve had problems in Transportation and Jeff’s done a good job. Unless there is something significant, let’s give those people an opportunity to get things corrected. When I see that we’re asking for a letter that says that a Principal should sign something stating that he/she understood it, that’s not an Audit Committee function, Jeff. I apologize for that. That is definitely a management function. You’re the one that should request that, not us. I don’t care if I ever see that someone certifies that they read and understood something. As a Committee, we erred in that respect. We are just as much concerned about the future and reputation of the Transportation Department as you are. This Committee has sheltered it, we beat it up, we’ve done everything possible to get it right, and we appreciate your help. I still have in my mind that response that Donnie Carter took credit for writing and I want to know if those things have been corrected and how are they contributing to the accountability that Mark is looking for.”

Mr. Jeff Moquin replied “I think the pervasive issue is the tone that the Director sets as far as the significance of property control. Obviously, I’ve tried to exude that amongst all the staff, not just Ms. Bradley. Obviously, one individual cannot be responsible for thousands of items spread throughout the District. Coming back and showing you that we were able to validate 254 items, we are moving forward. Mark (Magli) and Cyrilla (Bradley) have been very helpful in terms of setting the controls we need and using the best practices that a lot of schools are using. We’re trying to take the entire inventory, break it down to the individual staff person and individual

room person and then hold everyone accountable for at least advising if there are changes in the physical inventory, so that we can try to address it in real time through the fixed asset system.”

Ms. Fertig stated “Going back to why we asked for this, I think Pat and Mark and their staff have done an incredible job. I don’t think it should take deferring a report at an Audit Committee meeting or any other action for it to get a response when the Audit Department performs these audits. This is not directed at you, Jeff. I think what this means is that you can find the items if you put your mind to it and that should happen the first time. Thank you for finding all those items.”

Ms. Greenberg stated “The reason I voted against deferring the item was the reason we saw. They had it since May 18 and if in those months, they couldn’t find the items, then deferring it was simply giving them almost permission not to find them in seven months. If someone brings something at the last minute and can’t find it and they know the report will get deferred, that’s not a good example to set.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Review of Varsity Football Game Ticket Sales and Cash Collection Procedures – September and October 2012

Mr. Reilly stated “This is an audit that we performed where we attended several football games in the fall. We attended ten games and performed some audit procedures relating to cash collections, ticket receipting, and documentation of the game reports. Our audit identified six findings relating to lack of segregation between controlling cash, tickets and deposits. That was the main observation. As we looked further, there were other recommendations we made relating to safeguarding monies after games. We observed some issues and made recommendations regarding concession stands, parking revenues and Athletic gate help and instances where the Athletic Director was also being paid for coaching.”

Ms. Fertig stated “I want to compliment whoever created this PowerPoint (PowerPoint was created by the Office of the Chief Auditor). It was the most graphic example I’ve seen that this training is occurring. It was a really great explanation also.”

Mr. Mayersohn asked “On page 65, it states that the Department of Safety will be conducting a follow up meeting on March 19, 2013 with the appropriate staff regarding concession stands. The Broward County Department of Health and the Florida Department of Health have the authority to inspect and permit all football concession stands at any time. Is that a requirement that they have to be permitted, licensed and have a sanitation certificate?”

Mr. Reilly stated “I believe that depends on the city. There have been some changes that require some new rules on the sanitation and inspection. That will all be discussed at the meeting. If an inspection needs to be done, depending on each city, the Principal will make sure that it is performed.”

Mr. Damian Huttenhoff stated “This is new ground for us. In past years, our concession stands have been run by the schools and booster clubs. The food products have mostly been pre-

packaged items. We've checked with the Dade and Palm Beach Districts and there is no permitting or paying of fees for their concession stands."

Mr. Mayersohn added "According to the Florida Department of Health, food service establishments need to have certification, unless they are only selling pre-packaged foods. They need to be permitted so that the Florida Department of Food Service can inspect the facility at their leisure."

Mr. Reilly stated "There was some cooking done at some of the schools. Also, we've worked with Mr. Jerry Graziose recently regarding the food trucks. There are many new requirements with that type of food service also."

A motion was made to transmit. Motion carried.

Internal Audit Report – Audit of the Family Counseling Behavioral Health Program Grant – January 2013

Mr. Reilly stated "This grant is described on page 2. Ms. Rosemary Russo is here if you have any specific questions on the grant. We verify and review the District's match and the receipt of county funds."

A motion was made to transmit. Motion carried.

State of Florida – Auditor General – Virtual Instruction Programs

Mr. Reilly stated "This audit was performed by the Auditor General's (AG) office. They audited twelve school districts and incorporated their findings in this report. They also included two of the VIP providers and included some comments related to them. In regard to our District, the responses are on page 45. There were thirteen findings; however, only seven pertained to our District (#3, 4, 5, 6, 7, 10 and 13). Our responses were incorporated into their report along with the other eleven school districts. I believe this was the first time the Auditor General reviewed the Virtual Schools. Some of their findings were routine, such as ensuring that students are aware of computers that they could have access to. There were some concerns with making sure that people who are involved with working with the Virtual Schools are properly screened, according to the Jessica Lunsford Act. As far as our employees in the District, we've already met that requirement, but I guess the Auditor General found that the vendor's employees did not have the proper screening. Mr. Chris McGuire is here if you have any questions."

Dr. Mack asked "What does the Auditor General think of our responses?"

Mr. Reilly stated "Our responses were prepared and sent to the Auditor General. They have accepted them and have issued this report."

Mr. Mayersohn asked "Since we were talking about contract language before, regarding the Superintendent's response to item #4, Provider Contracts, I would caution that it says in Florida Statute 1002.45, Publishers to the General Public 'In accordance with the disclosure requirements adopted in the Rule, State Board of Education, as part of its application as a

provider, that all contracts are negotiated pursuant to this section'. There is a list of A through G. I would recommend that this is included when you review contracts in all those provider contracts. I noticed student ratios were not included. I would suggest you review those as well, to ensure they are included and meet with State requirements.”

Ms. Greenberg asked “On page 4, it states that the firm is under investigation. Is that the firm that this District is using?”

Mr. Chris McGuire stated “This is currently under investigation or audit by the State Auditors for circumstances that took place in other counties who were contracting with K-12 with specific grade levels 6 through 12. This did not apply to Broward County.”

Ms. Greenberg stated “On page 38, I was surprised that the Florida Department of Education did not think that formal rule adoption for contract template was appropriate. I think it is.”

Mr. McGuire replied “You are absolutely right. We petitioned that.”

Mr. Mayersohn asked “On page 17, it states the Broward County School System is offering free computers to those on the free and reduced lunch program. Obviously, there were only two exceptions. Do we know how many students received free computers?”

Mr. McGuire replied “It varies per semester, depending on how many students we have. It could be anywhere from 10 to 20.”

Mr. Mayersohn asked “Are those brought back? Do we track those computers?”

Mr. McGuire replied “Yes, we do. We create an obligation for the students in the Terms system, so that when the student attempts to withdraw, the obligation will be noted and the student will be asked to turn in the computer. It should be noted that the two exceptions for that particular item were for students who did not qualify for free and reduced lunch, but whose equipment did not work. We acted in the best interest of the students by giving them a computer that was suitable. The Statute does not preclude us from checking computers out to any student.”

A motion was made to transmit. Motion carried.

Other Business

Discussion followed regarding scheduling a meeting date and time for orientation for new Audit Committee members.

Mr. Mayersohn recommended an audit be performed of the ESE Department. Dr. Mack explained that the recommendation should be submitted for inclusion in the Office of the Chief Auditor’s Audit Plan in June, 2013.

Mr. Mayersohn asked if Ms. Greenberg should be nominated as the Vice Chair. A motion was made to nominate Ms. Greenberg as Vice Chair. The motion was seconded and approved.

Meeting adjourned at 2:30 p.m.