

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

June 20, 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. Members and guests were introduced.

Members Present:

Mr. Moses Barnes
Mr. Ken Evans
Ms. Charlotte Greenbarg
Mr. John Herbst
Ms. Jeanne Jusevic
Dr. Henry Mack
Mr. Robert Mayersohn
Mr. Andrew Medvin
Mr. Nick Sakhnovsky (attended by phone)
Mr. Duane Wolter

Staff Present:

Mr. Robert W. Runcie, Superintendent
Mr. Jeffrey Moquin, Chief of Staff
Mr. Paul Carland, General Counsel
Ms. Shelley Meloni, Task Assigned Chief Facilities & Construction Officer
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Delores McKinley, Manager, Internal 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
Ms. Marjorie Nguyen, Accounting and Financial Reporting
Dr. Desmond Blackburn, Office of School Performance & Accountability
Mr. Bertram Lewars, Building Department

Guests Present:

Ms. Karen Yi, Sun Sentinel
Mr. Brett Friedman, McGladrey, LLP
Ms. Chantelle Knowles, McGladrey, LLP
Mr. Shaun Davis, S. Davis & Associates, P.A.
Mr. Julio Effio, Public Citizen
Ms. Christine Diaz, Millennium Middle School
Ms. Bina Kohl, Parent

Old Business

A motion was made to approve the minutes for the May 2, 2013 Audit Committee meeting. 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 “As we reported previously, we attempted to start mediation. That was stymied by a change in counsel and client concerns. The parties never officially got to mediation, but had some substantive settlement discussions. We have scheduled another attorney client session with the School Board for next Tuesday. We will be going to the Board with them with the latest status.”

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

Mr. Pat Reilly stated “This item is regarding the Committee’s request to follow up on written procedures to have in place concerning what circumstances a change order should be used vs. re-bidding the additional scope of work. In addition, the Committee requested a corrected copy of the change order review process flowchart.”

Ms. Shelley Meloni stated “We have distributed a revised flowchart on one piece of paper and corrected some discrepancies. With respect to the procedure for a change order vs. bidding, we are still reviewing that process. As we move to a program management model, we are using their services to be able to review our entire procedure manual. They will be taking on that process as one of the tasks they will be reviewing and defining better for us. We continue, however, to evaluate each change order individually to determine what should be deemed a change order vs. the bidding process. We still look at items that are related to the contract itself, the project itself. It must be related and necessary for occupancy. Those are the two main criteria. Of course, if it’s an emergency item, then those items we would consider as change orders. If something is unrelated to the project, that would be considered something to be bid.”

Dr. Henry Mack asked Ms. Meloni to notify the Committee when there was an update.

Ms. Charlotte Greenberg asked “What does the State law state about change orders vs. bids? The State law has to be relevant to this issue.”

Mr. Carland stated “As I addressed in my memo, it’s a policy decision for the Board to decide if it wants to set thresholds or criteria on additional scope, as to when it would be bid out or not.”

Ms. Greenberg stated “We were told that the State law specifies that there is a certain threshold for when you have to go out to bid.”

Mr. Reilly added “I think one of the issues is if you have a bid project that comes in, regardless of the delivery method you’re using (CM at Risk, Design Build), there’s always the avenue of putting a change order through. From a maintenance point of view, there are laws restricting the amount of day labor, projects that are limited to approximately \$300,000. That is tied to the

Consumer Price Index. If you have a project that was bid or went through the process of bringing that contractor into place, there really isn't a restriction on the amount of a change order. Again, what we're trying to do from an economic point of view is take a look at the issue. First, one may ask why it wasn't in the original scope of work and whether it's related to the project."

Ms. Greenberg stated "I guess I must have misunderstood what I was told. I was told that the State Law says there's a limit of \$250,000, for which you would have to go out to bid again."

Mr. Reilly stated "That is with projects that would be done through the Maintenance operation."

Follow Up Item #3 - May 2, 2013 – Internal Audit Report

Mr. Reilly stated "The Committee requested that Dr. Blackburn be present at future Audit Committee meetings to address audit findings and concerns of the Audit Committee members. I see that Dr. Blackburn is here today."

Follow Up Item #4 - May 2, 2013 – Internal Audit Report

Mr. Reilly stated "The Committee requested the status of the District location and job title of the former Boyd Anderson High School Bookkeeper. That person is now in the Athletics Department working with Mr. Huttenhoff and is listed as a Bookkeeper III."

Ms. Greenberg asked "After the experience at Boyd Anderson, this person is still working as a bookkeeper? That's just incredible."

Mr. Robert Mayersohn stated "I don't know what bargaining unit this position is in, but if it's under a bargaining unit that is allowed to bump, then that's the nature of where it would be."

Mr. Jeff Moquin stated "The Bookkeeper position is collectively bargained under the FOPE bargaining unit, I believe. I'm not familiar with the specific issue, but I'll look into it."

Dr. Mack stated "We're talking about malfeasance. I don't care what the bargaining unit says. If you steal or it's alleged that you've stolen or misappropriated funds, you would be relieved of duties associated with handling money. I don't care what the job title says, but we wouldn't be doing our job if we didn't suggest that you look into that."

Mr. Moquin stated he would provide an update at the next meeting.

Regular Agenda Items

McGladrey, LLP – Communication to the Audit Committee

Mr. Brett Friedman gave a brief overview and discussed the significant points related to the June 30, 2013 audit being performed. "At the end of the audit, we will provide, under SAS 114, Summary of Communications, which will cover significant findings from the audit, our views on the audit, including accounting processes, accounting policies, accounting estimates, and financial statement disclosures. We'll discuss any significant difficulties, if applicable. We will present any uncorrected misstatements, or any disagreements with management, if applicable. Our responsibility, ultimately, is focused on issuing an opinion on the fair presentation of the financial statements. We're not in a position to make management decisions or opine on whether

the numbers are good or bad. Our job is to tell you that the numbers are fairly reported and presented, based on the underlying information. We're responsible for performing the audit in accordance with Generally Accepted Auditing Standards and Generally Accepted Accounting Principles to obtain a reasonable assurance about whether the statements are free of material misstatement, whether caused by error or fraud. Management is responsible for preparing the financial statements. They are the owners of everything in the financials. They are responsible for establishing and maintaining effective internal controls over financial reporting and compliance. They are responsible for ensuring the School Board complies with all laws and regulations, for making all the financial records and related information available to us to audit, for providing assistance to us in the audit process, adjusting the financial statements to correct any material misstatements that are identified and maintain compliance with all the Federal grant provisions. At the end of the audit, the key deliverables will be included within the basic financial statements the School Board prepares. We issue our opinion letter. Last year it was unqualified, but basically, that's our opinion on the quality of the financial statements as they are prepared and presented. We also issue a Management Letter in accordance with the Rules of the Auditor General. We issue a Single Audit Report in accordance with OMB Circular A-133. This past year, the Single Audit was performed by the Auditor General's Office. The Auditor General performs the audit every three years. We'll be doing that report for the 2013 fiscal year."

Dr. Mack asked Mr. Friedman to define the term "unqualified opinion" for the new Audit Committee members.

Mr. Friedman replied "In the Auditing Standards, one option is an unqualified opinion, which indicates that the financial statements are fairly presented in accordance with Generally Accepted Accounting Principles. That's the best opinion you can get, which again is not saying what financial condition the entity is in; it's saying that the document that was prepared and presented is fairly and accurately presented, applying all applicable accounting pronouncements and policies. Our report will be presented to you at the November meeting and will be presented to the School Board in December."

Ms. Chantelle Knowles stated that the audit includes reviewing the cash receipts and disbursement process, payroll, grant management and self-insurance. "We document and test those controls, as well as bringing in our IT group to review the IT systems. In addition, we look at any other reports that are issued by the Internal Audit Department. During the September and October timeline, we begin to look at your significant estimates that the School Board has, such as the self-insurance liability and Other Post-Employment Benefits, which are prepared by a third party actuarial that the School Board hires. We look at the assumptions that they have, determine if we think those are reasonable, and we also perform other testing in those areas. We do testing over your significant routine processes, cash receipts, revenues, purchases, as well as compliance with various Federal grants. If there are any non-routine processes; if you're going to issue any debt, we check compliance. We review large or unusual contracts that the School Board may have ventured into during the year."

Mr. Duane Wolter asked "On page 24, you talk about SAS 99. About what percent of the interim work is complete at this time and do you have any concerns that you may wish to share with us?"

Mr. Friedman replied "At this point, we have no specific concerns with respect to fraud."

Mr. Andrew Medvin asked “Regarding the Charter School audits, I presume these are done by a multitude of different firms. Is the School Board paying for those?”

Mr. Reilly replied “No, the Charter Schools are responsible for those audits.”

Mr. Medvin asked “What if 20 or 30% of the Charter Schools don’t turn in their financial reports timely?”

Mr. Friedman stated “That’s one of the things that has a significant impact on management, the timely completion of their reports. The key thing we look at is the significance of those reports vs. the School Board’s financials, overall. They are presented as a separate opinion unit in the financials, but it is a key thing and a key challenge for management to stay on top of them and get those reports. It’s one of the things that holds up the report each year.”

Dr. Mack stated “Pat Reilly’s office has been doing that since ‘Day 1’. He produces a matrix which gives the status of the Charter Schools that may have problems. Our main concern is that while the School Board has the responsibility for Charter Schools, we are limited as to what we can order them to do. Our scope of responsibility doesn’t diminish.”

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

Dr. Mack stated “Prior to the current administration, we had Area Superintendents, who would attend the Audit Committee meetings and explain to us what was being done to correct the audit findings. The comments made by your office are boilerplate, specifically on pages 58, 75 and 82; these do not answer the basic questions. When we look at the comments by Directors, they somewhat address the issue. We would like to have more details.”

Dr. Blackburn stated “I will get with Mr. Reilly’s office. As you mentioned, in the reorganization, quite a bit has changed. I did serve in that capacity as an Area Superintendent. One of the jobs was to attend Audit Committee meetings and provide additional details. I’m challenged to do that in my current capacity as School Performance and Accountability Officer, mainly because in the reorganization, the staff and support that I have access to, that Area Superintendents had, we don’t have in this particular model. The priorities have shifted to more of an academic focus. I am still the Principals’ supervisor, so to speak, and asset control and asset management is of utmost priority. We do have a brand new State adopted and approved evaluation system that includes all outcomes of a Principal’s performance. We do take it extremely seriously. I can appreciate that you want to see more detailed responses. We did change our cover letter intentionally, because in the past, it referred to several day to day, month to month, quarter to quarter operational oversight activities that would come out of an Area Office. Just to give you briefly, some numbers, that day to day, month to month and quarterly operational oversight was supported by approximately \$1.3 million worth of finance and technology staff that those three areas had. That \$1.3 million staff is now down to \$60,000, (one Microtech). I don’t want you to think we are doing without. There was a restructuring and re-focus of priorities, so a lot of those monies were shifted directly to schools. Those details above and beyond the Principal’s response are going to be a challenge for me to bring to you, as the Principals are actually the custodians of those assets.”

Dr. Mack stated “I can appreciate the challenge. It’s either going to be you or somebody else. As far as we are concerned, we are charged with ensuring accountability. While this new reorganization is suitable for the School Board for the purposes of education, we appreciate that also. In the final analysis, we’re going to ask that our questions be answered about accountability. Something is going to have to be done, Mr. Superintendent, to fill that void.”

Mr. Reilly stated “There were twelve schools audited. Six of the schools followed the policies and procedures and had no exceptions. Six schools had some findings, which are summarized on page 3 related to missing receipts, late remittances, vending commissions, cash receipting and depositing. We also included within the internal funds audits of Manatee Bay Elementary school, a review of Manatee Bay Elementary’s activities related to the PTA at that school, which we were requested to review. The Office of the Chief Auditor has no jurisdiction over the operations of the PTA’s books and records; however, in this case, the PTA was cooperative and allowed us to review their financial records. We were asked to look at multiple allegations regarding misuse of monies between various activities of the outside organization. One of the unique things we found was an after school care program that was operated by an outside firm. At the same time, the PTA was running an after school care program. We reviewed all records and receipting operations. We saw a very weak internal control operation by the PTA. There was no receipting type of function in place. Deposits were made in lump sums; we were unable to determine that all monies collected were recorded and deposited. Overall, our conclusion, as shown on page 62, regarding the specific types of allegations related to misuse of funds, did not substantiate these allegations. During our audit, we did make some recommendations regarding the operation of the after school program. We reported nine audit findings due to the fact that the School District does have an interaction with outside organizations and there are policies and procedures in place that must be followed by the schools when interacting with outside organizations. There were areas that affected the payroll of the school, because some of the individuals who worked at the school also worked for the after school care program. There was an overlapping time worked between two jobs. There were some issues regarding the PTA using outside vendors and issues regarding compliance with screening processes. There was concern about making sure that some of the expenditures were clearly in the name of the PTA, rather than the school, so the District is not at risk, such as times where merchandise that belongs to the PTA is delivered to and signed for by the school.”

Ms. Greenberg asked “I know that the PTA is handling the PTA situation. I know that when a PTA is in a school, nothing happens that the Principal doesn’t know about, because the PTA and Principal have to work together in order for all this stuff to have happened. Toward that end, I’m going to ask questions about the Principal’s responses, because the PTA has to handle their own issues. I’m not going to get into that. We know what happened. I’m not satisfied with the Principal’s responses. On page 76, the Principal referred to After School Care leaders. I don’t know who the leaders would be, the PTA or in-house volunteers. Are we talking about an outside firm who provides after care or are we talking about getting into a problem? Do we know who they are talking about when they say leaders?”

Dr. Blackburn replied “No. As mentioned, I don’t have that level of detail.”

Ms. Greenberg asked “Can we find out? This is crucial to ensure this doesn’t happen again.”

Dr. Blackburn stated “The recommendation from the Auditor states ‘consider using in-house after care’. I don’t know if that’s a requirement, a mandate, or perhaps a consideration.”

Mr. Reilly stated “That was a recommendation, based on the dual operation having an outside vendor provide after school care and the conflicts that we saw with the PTA running an after care operation. The PTA’s program went from 2:00 to 4:00 p.m., while the outside vendor’s went from 2:00 – 6:00 p.m. We saw situations where parents basically had to pay for both programs to have coverage during that additional two hours. We always encourage that after care programs be in-house when possible, because it’s also a money maker for the school. That item was a recommendation. The other nine items were in conflict with Standard Practice Bulletins or School Board Policies relating to the interaction between schools and outside organizations.”

Ms. Greenberg asked “Who are the leaders that they talked about, so this doesn’t happen again?”

Dr. Mack stated “We will request a follow up on this item.”

Ms. Greenberg asked “On Item #2, the last sentence states ‘we will continue to use the required pre-approved letter of agreement’, but in #3, it says ‘I will utilize the letter of agreement’. That is inconsistent, it looks contradictory. Either they’ve been using it and will continue or they will begin using it. This is the kind of thing that shouldn’t be there. On #5, there are two things that the Auditors were talking about, that the hours don’t overlap and if they do leave an hour before, that they make up the time. There were two things required so that the hours do not overlap. The answer only talks about teachers who begin an after school camp or activity after 2:00 p.m. and will continue to document their hours until the time is made up. They also have to make sure to document that they are not overlapping, besides the make-up. There are two things that were requested, but only one thing was responded to. The next question I have is whether any of this money will be paid back or will it be paid back in terms of hours. There was a big problem with this money. In #7, teachers will be reminded that they cannot have their own students in any club conducted on or off campus. I would suggest that this be a directive, rather than a reminder. In #10, the sentence begins ‘parents that worked for Club 205 as consultants’ were paid by the PTA. It’s almost a justification of what happened. Whatever they were doing, they weren’t supposed to be doing. That indicates to me that the Principal was obviously aware of what was going on and that this should never be happening again. That response really doesn’t tell me that there’s an understanding of the seriousness of this situation. I hope that you will take special care to look at this situation, especially the interaction between the Principal and the parents who may have brought that situation to the attention of the people who needed to see it, and ensure that there is no harassment or intimidation going on against the children in that school. On page 83, the responses were excellent from the Principal, Brian Faso, at Miramar High. On page 91, Kathy Sedlack, the Principal at Peters Elementary had really good responses. On page 98, Ms. Haywood, Office of School Performance had really good responses. On page 120, Michael Ramirez, Office of Student Performance, had some great responses, especially when the Bookkeeper was placed on administrative leave. That’s direct action.”

Mr. Medvin asked “In doing this audit of the PTA, were you limited to what you had access to in order to perform a complete audit?”

Mr. Reilly stated “I was able to get the records that they gave us. We asked for bank statements. The trouble with determining if all monies were deposited was that they had no type of receipting mechanism. What an outside Bookkeeper for the PTA received is what she recorded with no questions. We had several examples where we tried to get the potential of what should have been deposited vs. what was deposited. It was difficult to do that. Sometimes they would have an Excel spreadsheet listing the names of the people they collected from; sometimes they didn’t. We looked at things like payroll where we compared the amounts to the 1099 forms. We looked at many functions of the PTA, what they purchased and paid for, etc.”

Mr. Moses Barnes asked “Under the new model, are Principals allowed to get together for Principal’s meetings at certain levels? It seems to me, speaking from experience, we keep seeing the same thing, particularly at the high school level. If there is a Principal or a school that has developed a plan that eliminates some of these audit exceptions, there should be some sharing going on. If that is not happening, I think a good approach would be to have those Principals train the other Principals. I believe at South Broward High School, there was about \$6,000 missing. It says the Bookkeeper was given the money and she resigned and that’s it.”

Mr. Reilly replied “There was an investigation by our District’s Police Department. She is in the process of making restitution for the \$6,000. We’ve already determined that \$500 has been paid back. She’s no longer working for the District. What we have here could not have been prevented by training. This was a choice not to do the job and disregard for the deposit. No action was made to determine what occurred with this very questionable transaction of the missing \$6,000.”

Mr. Moses asked for the definition of an internal advance.

Mr. Reilly replied “An employee can obtain an advance for expenses. It can be used for travel. When the employee returns, he/she turns in receipts for the amount used and returns any unused amount to the Bookkeeper. An advance can also be used for a change fund for Athletics, etc. There are procedures for the handling of these funds.”

Dr. Mack added “Regarding Dr. Blackburn’s comments on training Principals, you also talked about the Principals meeting. At one time, when we had an audit report on ten schools, if there was one audit finding, that was really an exception, because the Principals were talking to each other. It was because the Area Superintendents were talking to each other. Whenever one school had an incident, the resolution of that incident was shared with everyone else. That’s part of that million dollar expense you were talking about. That system dealt with those kinds of issues. Take the issue of vending machines. When I see that as an exception in an audit report, I call that a systemic exception, because we’ve done everything we could possibly do to correct that. Someone just didn’t do it. If a Principal had that experience, Dr. Blackburn’s office got involved and shared the information with the other Principals. That did exist at one time. What I’m seeing now, it’s going to take a little bit for the School District to get reorganized again, so that these concerns of ours will be addressed. I think the new organizational changes are efficient for educating children and in many other ways, but I think the comments from us already this afternoon makes the administration aware that something needs to be done. I’d like to see that system come back with information sharing to prevent repeat audit findings.”

Mr. Runcie stated “In the new structure that we have in the District, the schools have been organized in a cadre model. I would submit that there is more sharing of ideas and information among Principals now than there ever has been. The Principals have all commented on that frequently. That does occur and is very significant. It was structured in a way to ensure that we were actually working more as a unified District. The cadre models are structured so that schools are diverse. There are about 23 schools in each cadre which report to one Director. That model is pretty much the same as it has been, except for the diversity of the schools. The schools, rather than being in a particular zone, now, are geographically dispersed, so you can have schools as far east as Fort Lauderdale and as far west as Weston in the same cadre. This is to ensure diversity and school performance, as well as demographics. We are really sharing ideas across the system. Their primary focus is to share ideas to drive student achievement and best practices in their schools. Secondly, we created the Business Support Center. We provide business support services, primarily financial, bookkeeping and accounting support, to the schools. We did that essentially to create greater consistency and quality of work in the financial management and recordkeeping of the schools, and to relieve the Principals from that piece. This plan is voluntary for schools. The first year, we had about 40 schools, now there are approximately 100 schools that have voluntarily signed up. They are actually paying for these services. There is a cost savings to the District, which we split with the schools. We are more efficient; we are providing better quality financial accounting and recordkeeping for the schools and we are giving them an opportunity to obtain more resources, as well. Those are things that have been put in place. Relative to schools that are high flyers that continue to come up, we’re going to have to address that. That’s not just a training issue or sharing of ideas. As you said, there are probably some systemic problems in those schools. We will look at and address those issues. Dr. Blackburn advised that there’s a new evaluation instrument being developed now for Principal leaders in our schools. That instrument will have a financial component to it. There will be accountability and consequences around not adhering to policies and guidelines and repeat offenses. We have that in place. Principals are concerned about their ability to manage their finances; we’ve given them a way out. They can hire the Business Support Center and we’ll manage all that for them. They work with the internal auditors during the auditing process. They deal with the inventory. The schools that have been using it (Support Center) so far seem to be very pleased with the quality of services received.”

Dr. Blackburn concurred. “That support system is now in place for Principals who elect to have the District manage their finances for them. We now have the evaluation tool that we didn’t have in the past. All of the expectations that a Principal is expected to adhere to will be monitored and evaluated through that system.”

Dr. Mack stated “That all sounds well and I hope it works. Our concern is what we see here. I would think that an assessment by the Audit Committee of the effectiveness of the system can be determined after this year’s audits during the upcoming school year. Remember that we only respond to audit reports and the reports that we see have these items of concern to us. Whether it’s information sharing or buying services from the Support Center, they all sound like good ideas.”

Ms. Greenberg asked for an update on South Broward at the next meeting.

Mr. Mayersohn thanked Dr. Blackburn for attending. Many times, the Audit Committee is viewed as a “gotcha”, but that’s not what we’re about. We’re here to make sure that procedures and practices are followed. Understanding that PTA’s are volunteers, there are some PTA’s that are run efficiently and effectively, because they have a strong basic knowledge of what they need to make sure they are running smoothly. There are other PTA’s that sometimes struggle. They may have strong parent involvement, but maybe not the knowledge. It might behoove the District to offer assistance to the PTA’s.”

Mr. Reilly stated “The PTAs have a strong group which performs its own training. My concern is that the Principals are aware of the PTA’s fundraising plans. They should be informed as to how the school will benefit from the PTA’s activities. There is a written agreement that should be completed by the PTA and approved by the Principal.”

Mr. Jeanne Jusevic stated “I am the Broward County PTA’s representative on the Audit Committee. One of the things I would like to see revised in the audit is to refer to the Manatee Bay PTA. When reading the audit, it sounds like you are talking about PTAs in general, rather than the specific Manatee Bay PTA. In the recommendations, there should be delineations between the Manatee Bay PTA, the National PTA’s standards and practices and the Florida PTA. Then it would be really clear to the public that we’re talking about one specific PTA at one specific school. As to training, we offer training to the Principals, they just don’t show up. It would really behoove the District to insist that Principals start attending our trainings, so that they can understand. Each Principal is one voting member on an executive Board on a PTA. So that they understand what the responsibilities are, and we don’t have a repeat of this and the other things that we’re seeing. Ms. Flores, the Broward County Council of PTA Presidents, wanted me to ask why it was that we had to learn about the audit after it was done. While we appreciate the courtesy that Manatee Bay PTA gave the auditor’s office to open their books, according to your own policies, the District is not supposed to have their hands on PTA books. While we want to be as cooperative as possible and actually learn something, we would have liked to have been in the loop and to have been notified about what your specific problems were and what we should have been looking at. We now have an audit that the Broward County Council of PTAs has paid for and we will be sharing the findings of that audit with Manatee Bay first and then I’ve been authorized to say that in August we’ll be sharing the findings of our audit and our remediation with the Audit Committee, so that they the Broward County Council of PTA, the National PTA and the Florida PTA take this very seriously. In fact, the National convention is going on and this is a topic of conversation with the National PTA which may change what is in ‘Money Matters’. According to ‘Money Matters’, the 205 Club was considered a PTA ongoing business. Now they’re looking at whether or not we really want to do that. I can’t speak to that. We will probably have a conversation with Florida PTA during our convention in July. This is actually impacting policies nationally. We really want a cooperative relationship with your office, Mr. Reilly. When you’re asked to do something, we would like the courtesy of a phone call so that we can partner with you to see what’s going on, so we can fix things. Mr. Reilly is correct, we do have wonderful training materials for our members and also, Dr. Blackburn, we need to train the Principals. The Principals need to come to our training so that they know what their role is and what they can and cannot do, and what we, as a PTA can and cannot do. Thank you.”

Dr. Mack stated “You have said more as a PTA representative on this Audit Committee than we have heard from the other representatives in fifteen years.” He thanked her for her comments.

Ms. Greenberg stated “I agree. The PTA does their training very well and it’s available to anyone who wants it.”

Mr. Ken Evans asked about a parent at Manatee Bay who had some concerns.

Dr. Mack explained that the Audit Committee only handles audit reports and the administration would handle other issues.

Mr. Runcie added “This audit began because of those concerns brought to my attention by parents. We performed an audit and we have the findings that you see in front of you. We can’t make decisions based on things that we can’t fully substantiate, whether they exist or not. We took these allegations very seriously; we reviewed them; we shared the information with the PTA. In fact, we have a great relationship with the PTA. The PTA was here for several days doing their training. We work closely and are committed to moving this District forward.”

Mr. Duane Wolter asked “We’ve run into two situations where Bookkeepers absconded with some funds. In our Payroll and HR Departments, can we mark those individuals with a ‘not eligible to re-hire’ status?”

Mr. Runcie replied “Yes, to the extent that those allegations have been substantiated, that information would be in that person’s file.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “There were forty-four locations in this report; there were only two that had exceptions and they were very minor. There were thirty one schools and thirteen departments audited. The total amount of property reviewed was over \$52 million. This was a very good report as far as compliance with property and inventory procedures.”

Ms. Greenberg commended Mr. Magli and his audit team.

Mr. Mark Magli replied “Thank you. My team has been great. We are a limited group and we work hard to get as much done as we possibly can. The schools have improved vastly, as well as the departments.”

A motion was made to transmit all reports. Motion carried.

Summary of Audit Activities for 2012-2013 and Proposed Audit Plan for the 2013-2014 Fiscal Year

Mr. Reilly stated “This is our annual report that provides a summary of audit activities that we performed during the 2012/2013 fiscal year. That’s basically the first section of the report, which

is broken down by type of audit, i.e. Internal, Property, Construction or Operational audits, etc., along with committees that we participate in as non-voting members. We provide an audit plan for next year, which is a living document, because of audits that may be requested throughout the year. We do a risk analysis of some areas that we haven't audited in the past. We also perform follow-up reviews of past audits to ensure that corrective action has been taken. We've started several audits, such as the M/WBE program. We've added reviews of specific contracts that we have with the District such as consulting services and products that we purchase from outside vendors."

Dr. Mack asked "I thought you were going to look at the Purchasing Department?"

Mr. Reilly replied "It's included in #9 as we look at purchased services and contracts."

Mr. Wolter asked "On page 15, your staff consists of 22 including one open position. How does that compare to five years ago?"

Mr. Reilly replied "At our peak, we had 31 employees, but that was more than five years ago. We've been staying at around 18 the last couple of years. Mr. Runcie did allow us to add three more positions, which has helped us."

Mr. Wolter asked "On page 16, what's your definition of long range?"

Mr. Reilly stated "If it's not going to be done this year, we'd like to get those done in the following year."

Mr. Mayersohn stated "My only suggestion is in some of the consulting agreements, some are very broad based. If you are expected to audit those contracts, there has to be some accountability. Just as the District is reviewing the construction contracts, maybe Pat's department could take a look at contracts that are moving forward to determine before they are released, signed and agreed to, that if there is a concern to audit it, there is some tangible or informational piece. As an example, as we saw with the Security situation, information that was required wasn't provided or clear. Those are things I think are important to look at."

Dr. Mack stated "As Mr. Reilly mentioned, he is a non-voting member; he can't come back and audit himself. It's not advisable for Pat to get into that level of detail, in order to maintain his independence, but he certainly provides oversight and answers questions that are asked. Do you agree, Pat?"

Mr. Reilly stated "I agree. One thing that I look for in the contracts is the Right to Audit Clause. With some of the new contracts, I think staff is looking at them a lot closer and making improvements to them."

Mr. Mayersohn stated "As long as contracts have a Right to Audit Clause, that would suffice."

Mr. Medvin asked "On page 10, you list quite a few things you've done relating to Charter Schools. On page 17, you only assigned 150 days to that section that includes Charter School activities. I think that's a major problem. I think you need to do more in that area."

Mr. Reilly stated "We will, because there is a new organizational chart position that we will be able to fill in the beginning of the year. We have already advertised for that position."

Mr. Runcie added “By the way, there’s not just the resource we’ve added in Mr. Reilly’s shop. We’ve added more resources in our Charter School monitoring function that will be assisting and enhancing our capacity to review more schools more thoroughly. Our interest is to ensure that the schools out there are performing high quality and are operating for the right reasons and are delivering service to the students. When you see poor student achievement, you’ll find financial issues going on as well. Our main concern is to make sure our students are in an environment where they are getting the kind of teaching and learning that they deserve.”

A motion was made to transmit. Motion carried.

Other Discussions

Tentative Audit Committee Dates for 2013-2014

Mr. Reilly asked the Committee to review the tentative dates for next year’s Committee meetings. A motion was made to approve the dates. Motion carried.

Elections

Mr. Reilly asked for nominations for the Audit Committee Chair and Vice Chair. Dr. Mack was nominated for Chair and Ms. Charlotte Greenbarg as Vice Chair by Mr. Duane Wolter. Mr. Wolter made a motion for the Committee to elect them by acclamation. The motion was seconded. No other nominations were made. The Committee voted unanimously for Dr. Mack as Chair and Ms. Charlotte Greenbarg as Vice Chair.

Dr. Mack expressed his appreciation for the Committee’s confidence.

Meeting adjourned at 2:30 p.m.