

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

October 10, 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:

Ms. Mary Fertig
Ms. Charlotte Greenbarg
Mr. John Herbst
Ms. Jeanne Jusevic
Dr. Henry Mack
Mr. Robert Mayersohn
Mr. Andrew Medvin
Mr. Duane Wolter

Staff Present:

Mr. Jeffrey Moquin, Chief of Staff
Mr. Paul Carland, General Counsel
Mr. Ben Leong, Chief Financial Officer
Mr. Thomas Cooney, Office of the 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
Mr. Robert Goode, Manager, Facility Audits, OCA
Mr. Gerardo Usallan, Manager, Facility Audits, OCA
Mr. Joe Wright, Auditor III, Office of the Chief Auditor
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Mr. Maurice Woods, Chief Strategy & Operations Officer
Dr. Desmond Blackburn, Chief School Performance & Accountability Officer
Mr. Dave Archer, Office of Facilities & Construction
Mr. Julio Effio, Manatee Bay Elementary School
Mr. Brian Little, Purchasing & Material & Logistics
Ms. Sharmila Laljie, Payroll
Mr. Ivan Perrone, Treasurer's Office
Mr. Scott Krutchik, Accounting & Financial Reporting

Guests Present:

Ms. Chantelle Knowles, McGladrey, LLP
Mr. Michael Rajner, Public Citizen
Hon. Gisele Pollack, Judge, Juvenile Drug Court
Ms. Bina Fink, Parent

Old Business

A motion was made to approve the minutes for the June 20, 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 “We have been working with Mr. Reilly concerning the preparation of that case and our outside counsel has been working with Mr. Reilly under the direction of the School Board. We do have another attorney/client session with the School Board scheduled for November 5th.”

Ms. Charlotte Greenberg asked “Who is the outside counsel?”

Mr. Carland replied “Mr. Soto.”

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

Mr. Pat Reilly stated “The Committee asked questions regarding the Bookkeeper at Boyd Anderson; specifically, why the person who was alleged to have misappropriated funds was hired for another position requiring the handling of monies. I spoke with Mr. Moquin. A police investigation was performed and they found insufficient legal basis to proceed with the case. The individual was cleared of that incident and transferred to a different department.”

Ms. Greenberg asked “Who did the investigation?”

Mr. Reilly replied “The District Schools Police Department.”

Follow Up Item #3 – June 20, 2013 – Internal Audit Report

Mr. Reilly stated “The Committee requested an update on South Broward High School’s former Bookkeeper; specifically, whether she has been making restitution for the misappropriation of funds. The individual has paid \$2,225 to date. She is no longer employed by the District.”

Ms. Greenberg asked “Is that all that she owes?”

Mr. Reilly stated “No, she is making periodic payments.”

Ms. Greenberg asked “What about the item before that related to the Manatee Bay leaders?”

Mr. Reilly stated he would follow up on that item.

Mr. Robert Mayersohn asked “Is there a contractual agreement for the restitution?”

Mr. Reilly stated “There is a signed agreement for the restitution.”

Regular Agenda Items

Internal Audit Report – Current Status Update of the Review of the Cypress Elementary School Project #1781-24-01/P000346 New Food Service Building, Renovations and Site Improvements

Dr. Mack stated “For both items (Cypress and Palmview), for the benefit of the new Audit Committee members, we’ve discussed these schools forever and I’m delighted to see that it’s brought to a conclusion here and we don’t have to go through a discussion here today. The decision has been made by the Legal Department. The legal position has been announced, so there’s no more we can do as an Audit Committee.”

Ms. Greenberg asked “I see in the Current Status that the Office of Facility and Construction maintains that we (District) should pay this contractor for both of these projects. Is that still your position, Shelley?”

Ms. Shelley Meloni stated “The position that the Facilities Department is taking at this point is to adopt the recommendation of the Office of the Chief Auditor.”

A motion was made to transmit both the Cypress Elementary and Palmview Elementary reports. Motion carried.

Internal Audit Report – Current Status Update of the Review of the Palmview Elementary School Project #1131-23-01/P000207 New Food Service Multipurpose Building, Renovations and Site Improvements

See above.

Internal Audit Report – Current Status of the Auditor General’s Report #2013-160 – Broward County District School Board Financial and Operational Audit for Fiscal Year Ended June 30, 2012

Mr. Reilly stated “This is a current status of the Auditor General’s Report. There were sixteen audit findings in their original report. We reviewed the status of implementation and/or corrective action for each item. We determined that ten items had been completed, as outlined in the cover letter (items #1, 3, 4, 5, 6, 7, 11, 12, and the two Federal Findings). There are six items that are ongoing for various reasons. There are some items that still haven’t been completed (items #2, 8, 9, 10, 13 and 14); there are some funding issues; there are some deadlines for corrective action or implementation that have not been met. We will perform a follow up on the open items in a few months.”

Ms. Greenberg stated “On page 2, (Electronic Funds Transfers) I’m glad that you will continue to follow up on that; it’s been ongoing way too long. I’m happy with the responses from the

Chief Strategy Officer on page 3 (Decentralized Collections), page 5 (Payroll Processing), page 8 (Overtime Payment Monitoring), and page 12 (Purchasing Cards).”

Mr. Reilly clarified the Severance Pay Finding (page 9). He stated “This had to do with the Superintendent’s contract and the changes that were made to it. That was the State’s opinion. I agreed with Mr. Carland’s position. It was a timing issue relating to which Statute was in effect when the original contract was approved. At this point, there is a new contract which is in agreement with the Statutes that states 20 weeks severance pay.”

Ms. Greenbarg added “On page 14, (Tangible Personal Property) the tagging and barcoding, I’d really like to see this finished. We’ve been talking about this for years now. On page 20 (Background Rescreenings), we’re looking at a long term problem. On page 22, the same issue of timely rescreenings. It says possible disciplinary action for violating the Statutes. Unless someone is ill in the hospital or has some extreme circumstances, I don’t know why it would not be possible. The disciplinary action should be there if someone violates the Statutes. On page 25 (Expenditure Processing), how were check requests processed that were not permitted? It says they are going to discontinue processing check requests that are not permitted under the School Board’s Purchasing Policy.”

Mr. Reilly stated “Over the years, as the Auditor General pointed out, there were 55,000 check requests during the year audited (2011-12 school year). The weakness is that there is no approval in advance of the item and there is no encumbrance of the funds. There is no formal purchase order. There are certain ones that you will always have, such as the mileage reimbursements. My understanding is that it didn’t go into effect until July 1, 2013. A letter was sent in April, but it really wasn’t in effect until July 1, 2013.”

Mr. Ben Leong stated “That’s correct. We issued a memo in April informing all departments that they could no longer use check requests; instead, they need to create purchase orders. Since July 1, 2013, we’ve only processed approximately 20 check requests. We returned almost 300 check requests to the departments, stating that this was not the proper way. I think we’ve got a good handle on it; the check requests are becoming very manageable.”

Ms. Greenbarg stated “On page 32, regarding KRONOS, is it complete for the 2013-14 school year?”

Mr. Reilly replied “We’ve set up KRONOS in Transportation and they are in the process of implementing it in Food Service. Maybe Jeff (Moquin) could update us. I can check to see if there’s a new due date for that.”

Dr. Mack stated “For those responses that state a lack of funds as an excuse, that is a way of life and I feel that the managers at these various levels should take whatever action is necessary to get these deficiencies corrected, despite a shortage of funds. On page 14, on page 19, page 21, it states that the Security Clearance staff is diligently working on rectifying the issues by May 2013. Was this done?”

Mr. Reilly replied “No. This is the original response. On the October follow up, they are still looking at that, which is why we noted the status as ongoing. I will follow up with the Human Resources Department.”

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 schools audited; eleven complied with all policies and procedures pertaining to Internal Funds. There was one school that had some audit findings related to late remittances, fundraising and yearbooks. Based on the audit on the review of the yearbooks, we did identify an overbilling of \$12,000 that will be reimbursed to the school by the vendor.”

Ms. Greenberg asked “This is the third audit with findings for South Plantation High. Is that correct?”

Mr. Reilly stated “No, it’s the second time.”

Dr. Desmond Blackburn stated “This is the first audit for this particular Principal, but it happened during the tenure of the previous Principal.”

Mr. Mayersohn commended the schools having no audit findings.

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “There were 67 locations in this report, consisting of 52 schools and 15 departments. There were 62 locations that followed procedures and five locations that had some exceptions related to unaccounted for property. Overall, there was \$73 million of assets for these 67 locations, of which \$137,000 represented unaccounted for items.”

Ms. Mary Fertig stated “I noticed that there was only one school with exceptions. That shows tremendous improvement, but again, when you look at the departments, there were more with exceptions. I think you’ve done an incredible job with the schools. I was wondering if that same level of responsibility is expected of the departments.”

Mr. Mark Magli stated “Some of the reported departments had some minor errors in their processes. We’ve had some transitions that have taken place, which I don’t think aided in some of the merging and combining of departments. I think that’s something we have to definitely focus on, as we have some organizational shifts and movement of staff. That is something that has to be addressed. I’m certain that all the Chief administrators are aware of the concerns and are certainly addressing them. We’ve done a lot of work with the schools and we offer that same opportunity to the departments.”

Ms. Greenberg stated “On page 17, there’s a very good response. I like the detail you gave, Dr. Blackburn, to ensure this doesn’t happen again. On page 24, regarding the items valued at less than \$1,000, we’ve talked about this a number of times. When you have 150 laptops valued at just under \$1,000 each that disappear, that’s a lot of money, but it’s treated differently. We’ve been talking about getting this to be treated the same as any other inventory item, even though we heard once that it’s not feasible. Maybe it’s feasible now.”

Dr. Mack stated “This is systemic. If you notice throughout the report, the auditors state that the schools should or must have a separate database for items valued at less than \$1,000, but that comment is not enough. We must define what that database is and if there’s a program they should be using, we should clearly define that. The way these comments are written now, we could have different databases at each school. I would like to recommend that when the auditor shows up; they hand him a disk, place it in the computer and he knows where he’s going from there.”

Ms. Jeanne Jusevic asked “For all of these digital or electronic items, is this the current value or is this the replacement value?”

Mr. Magli replied “That’s the historical cost, the purchase value.”

Ms. Jusevic asked “So, it wouldn’t be what the current value is?”

Mr. Magli replied “It ties into what the replacement cost would be, but we don’t have a means to determine how much it would cost to get a new laptop. We put in accumulated depreciation into the one schedule, as you can see, to show you that in terms of today’s accounting net values, that they are diminished, so that we can have a real working number. We have requirements for disposal; we have processes that may not have been followed, where even though we have an old piece of equipment, we have a means by which to take care of those items that may not have been followed.”

Dr. Mack stated “On page 17, Dr. Blackburn, I’d like to congratulate you on the way you responded to this audit, but I’m even more impressed with the response from the Principal. That person really did a great job in outlining what will be done to correct it. I suggest that you consider this Principal’s response as standard and implement it throughout. Mark, on page 29, monitoring property records, the very last sentence which reads ‘that should still be maintained on the school’s database’, should that read department? When we refer to items that cost less than \$1,000 and high risk items, we’re saying that they should have a separate database for that. Is that two databases or one?”

Mr. Magli replied “The District maintains a master record, which is maintained by the Accounting & Financial Reporting Department, which is for all items exceeding the threshold. We don’t have a means by which to reconcile those others, because they are not captured. The expectation was, despite those items having a purchase value of less than \$1,000, they would track them the same way on the site maintained secondary database.”

Dr. Mack asked “From the beginning of the report up until this one, we only spoke of items under \$1,000, now we’re adding high risk equipment. Are you mixing the high risk equipment and items under \$1,000? Is there a separate database for high-risk equipment, a separate database for over \$1,000 and a separate database for items under \$1,000? I’m seeing three, rather than two.”

Mr. Magli replied “There are so many items that are purchased with a nominal value. We don’t have a defined list. We’ve spoken before about some audio visual equipment and all technology as being high risk in the marketplace. It’s not meant to be confusing, as though it’s three separate types of things. I think we spoke of defining those additional items, possibly looking at incorporating that into our master database, so that there wouldn’t be so many different components.”

Dr. Mack added “I understand what you’re saying, but another reader would not. On page 34, conducting semi-annual inventories, you say the same thing that you did on the other pages, but you make no mention of the separate database required.”

Mr. Magli stated “That is part of our evaluation. We do ask to see that they have a database, but we don’t have a record to determine if their database is complete or inclusive of everything.”

A motion was made to transmit. Motion carried.

Follow Up on PTA Procedures

Ms. Jusevic stated “I’m here with the unfortunate news that the Florida PTA revoked Manatee Bay Elementary School’s PTA Charter.”

Dr. Mack asked “Is there a replacement for it?”

Ms. Jusevic replied “No, they were just sanctioned after spending the entire summer trying to work with the school getting them to comply with the conditions which Florida PTA laid out. I was put in charge of the school because I pretty well am no nonsense; I can take it if they go out in the community and call me a bully. This particular PTA executive board was re-elected with three of the members (President, Vice President and Treasurer) who took 1099s from Manatee Bay’s PTA for administering the Club 205. We supervised the Nominating Committee; unfortunately, the atmosphere at Manatee Bay is that most of the parents do not have confidence in the PTA; they don’t have confidence in the Principal to rein in the PTA. We let it run its course and we (PTA Broward County Council) let the Nominating Committee know that if you go forward with this slate, the Broward County Council will more closely scrutinize this school. We laid this out for them that after the election they would have to produce a monthly financial report with bank statements attached, transmit every document sent to the parents and copy myself and Melissa Gleissner, who was also assisting me. They would also be copying us on all minutes of meetings and they would be provided with training, which is scheduled for October 15, 2013. The minute we left the campus, there was a campaign to slander Broward County Council of PTAs, and Florida PTA, in order to move their PTA to a PTO. They told the parents that the Broward County Council of PTAs, Florida PTA and National PTA were misusing and mishandling funds. I’m not exactly sure where they got that idea. They did not want to be beholden to training. There were also personality issues. They didn’t like me because I was the

bearer of bad news. We had hoped with training and closely working with their Treasurer that we could get them back on track. We are in the process of notifying all parties involved that they are no longer a PTA and they are no longer under our 503C status. They had a car wash yesterday, for which they collected cash. They told the parents that Florida PTA told them they could only collect cash, when the only thing we told them was that they cannot use a credit card. They must cease and desist using the ATM card connected with their bank account. Mr. Reilly's audit and the independent audit conducted cited them for sloppy or non-existent bookkeeping. There will not be much of a paper trail to know how much they collected yesterday and how much will be going into the bank. Even when you issue a receipt, you can issue for the amount of money you want to declare. We also discovered that they are not filing the proper documents with the IRS, so the Florida PTA revoked their charter. Broward County Council of PTAs feels very strongly that Manatee Bay Elementary should not be allowed to form a PTO. There is no oversight for PTOs. There's no National organization that assists them; there's no county organization to assist them. That PTO will be operating in the dark and the only people that will be held accountable will be the Principal and those groups of women who brought the media attention onto them for their inept and corrupt practices. We're recommending they don't fundraise for at least a year or two until we can get some training for some interested parents. Really, when we have a school whose parent volunteers go out of their way to flout their organization's rules and regulations, IRS compliance regulations and School Board regulations, we have no choice but to sever ties to protect the integrity of our organization. They are putting every PTA in the State of Florida in jeopardy, when they operate with impunity, without regard to any of the rules or regulations they are supposed to be following. They filed a 990 EZ claiming that they collected less than \$50,000, when we know that that's not the case. They were not planning on filing appropriate documents to pay taxes on the money they collected for Club 205. They simply were just going to ignore that. With all due respect, I'm sure that Ms. DeVaughn, in other areas, is a good Principal, but in this particular case, she was leading the charge. I had a community member after another community member picking up the phone to let me know what was going on, including when I stepped on campus with Ms. Lewers of the Broward County PTA to collect PTA assets and their books that I was not going to be admitted on the campus. They said if I trespassed, they were going to call the police. That's where we are. I'm asking to work with the District to take our policies, use what we did with Manatee Bay as a model, insofar as 'this is what you need to do if you are suspended; these are the steps you need to take', so we have something in writing to use to train our Principals. Then we can say to the PTA Board who have gone off the rails that this is what you need to do if you find yourself in this position. I don't know of another PTA in our county that was in the position that Manatee Bay put themselves in. I know that I go out and troubleshoot and generally, I have very cooperative Principals and generally I have a very cooperative PTA Board. I'm hoping as we put PTA's back on track, that this is an anomaly that can be used as a case study of what not to do."

Dr. Mack stated "Understand that this Audit Committee only deals with audit reports. We cannot get into the details here of some of the things that you recommended. Certainly of interest to us and the Office of the Chief Auditor are the deposits of any funds that the school receives into the school's bank account. I want to make it clear that we are not the acting agency for those things that you bring to us today. I find that election thing very odd, but again, that's not our department. I'll have the Chief of Staff discuss that with the Superintendent on whether the School District can get involved in that, because your PTA is a separate organization and not a part of the School District. I can empathize with you, I have seen this before. I do agree with you

that there should be more collaboration between the PTA and the School District. I'll leave that up to the Chief of Staff to arrange that.”

Ms. Greenberg stated “As far as the connection with the PTA and the District, maybe the citation of what happened during the 95 sales tax extravaganza would help. When we went to court, it was pointed out that the PTA, because they were listed as part of the District in the listing, was a school allied organization and could be called an agent of the system, technically and legally, if you wanted to push that point. Maybe using that would help a little bit because I think there is a close connection because the PTA gets a lot of stuff from the District for nothing. They did in Dade, too. They get an office for nothing, phones, use of all the District’s resources for nothing.”

Dr. Mack stated “While that may be true, that is not a function of this Committee. We can certainly rely on Mr. Moquin to transmit this information.”

Ms. Greenberg added “The money issue is something that we have discussed. What Principals do with money is really important. We had another school where the Principal was hiding money to create a Principals’ Discretionary Account under the table, using the PTO to try to justify it, but it didn’t work. I think the money is our issue, because we have discussed it before.”

Mr. Reilly stated “The relationship between PTAs, PTOs and outside organizations with the District is laid out in several Standard Practice Bulletins and School Board Policies. The PTAs have their own set of rules and regulations and the PTA Council governs them. The District intertwines with them through several policies, particularly Standard Practice Bulletin I-101 that really lays out what we can and cannot do with outside organizations. For example, School Board employees should not be handling the money of an outside organization. The most important thing is that the Principal must sanction the outside organization’s activities. As Ms. Greenberg stated, these organizations receive many benefits from the District. For example, the District allows the PTA to have deliveries sent to the school; however, these deliveries should be received by PTA members, not the School Board personnel, because the School Board is liable for merchandise that they receive and sign for, when the PTA should be responsible. There are many checks and balances to protect the District when working with an outside organization.”

Ms. Fertig said “I believe Pat’s office has done a great job outlining what should and should not happen with all outside organizations. Our problem is that a lot of schools choose not to follow these guidelines. A lot of organizations choose not to follow them. I think that’s an issue with the Principal. The rules are clear. As Jeanne mentioned, they file reports. I’m assuming if you went to the school’s office, you could see copies of those reports. If not, that should be done.”

Mr. Reilly stated “In the last two years, Standard Practice Bulletin I-101 has been revised to include an agreement that must be signed and agreed to as to what the outside organization is planning as a fundraiser and what they expect to donate to the school from that fundraiser. In the past, there have been many times when an outside organization’s fundraiser made several thousand dollars, but the school only received a donation of a couple of hundred dollars. Those are the kinds of things we’re trying to curtail.”

Dr. Desmond Blackburn stated “Essentially, I agree with what Pat Reilly said. There is a distinction between what we supervise and what we don’t supervise. These third party organizations function on school campuses at the will and discretion of the Principal. There may

be activities that are outside of the Principal's purview, but the existence of the organization on campus is within the discretion of the Principal. In terms of actions in that regard, similar to Principals that were mentioned in the Audit Report, there are progressive actions taken by my office and not all of them are ready for public conversation. Please be assured that I'm taking necessary action. In any situation, all 228 Principals are subjected to our code of conduct for educational professionals. There are disciplinary measures if there are violations."

Dr. Mack stated "I want the record to show that we are concerned with the reputation of the School District when dealing with outside organizations."

Ms. Fertig reiterated that there are policies and procedures in place.

Dr. Blackburn stated "I'd like to compliment the Broward Council of PTAs. They met with me in my office in the summer, and outlined, based on some of the findings from Mr. Reilly's audit, best and bad practices; came up with a list of do's and don'ts for Principals and PTA Presidents. We had a training at McArthur High School in September. One of the concerns is that we have very active parents on our campuses and we want to reward and encourage that behavior. The PTA did take the leadership in giving local PTA presidents those lists of do's and don'ts, as well as the Principals at the training."

Dr. Mack mentioned that in the past, there were other issues where Principals went around the changes after the elimination of the Principal's Discretionary Account and he wanted to ensure that we did not see these types of issues in the future and that appropriate actions would be taken by the District.

Dr. Mack addressed the parents who attended the meeting and stated "I know you would like to speak, but I don't think it's necessary. We understand your position as a parent and your experiences at Manatee and the fact that they may have, because of your insistence, taken out their dislike of you on your son. Again, that's not an Audit Committee issue. I think with all the things we discussed today, your position has been well put on the table. Dr. Blackburn stated what he's doing. I'm sure you realize we are going to follow up with you, Dr. Blackburn, to ensure that you do what you say you're going to do. That is an Audit Committee issue."

Mr. Mayersohn stated "The PTA is primarily an advocacy group. It's not a fundraising group. More recently, when we've faced difficult economic times, we've turned it over to the PTA to raise funds. That's just a statement. The Broward County Council PTA and the Florida PTA have sent notices to Manatee Bay to advise them on what to do with their fund balance. One of those remedies does not include giving money back to the school. If you were to audit, I just want to make note that there should not be any dollars transferred from their account back to the school."

Ms. Jusevic stated "I really would like to thank Mr. Reilly and his office, Dr. Blackburn for being very sensitive to our needs, and the Audit Committee for taking the time to listen and for the advice."

Meeting adjourned at 2:30 p.m.