

The School Board of Broward County, Florida  
**AUDIT COMMITTEE**

MINUTES OF AUDIT COMMITTEE MEETING

November 14, 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 1<sup>st</sup> 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  
Dr. Robin Behrman  
Ms. Mary Fertig  
Ms. Charlotte Greenberg  
Ms. Jeanne Jusevic  
Dr. Henry Mack  
Mr. Robert Mayersohn  
Mr. Andrew Medvin  
Mr. Nick Sakhnovsky

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. Sharon Airaghi, Chief Service Quality Officer  
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  
Mr. David Sabra, Auditor III, Office of the Chief Auditor  
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA  
Mr. Dave Archer, Office of Facilities & Construction  
Mr. Ivan Perrone, Treasurer's Office  
Mr. Scott Krutchik, Accounting & Financial Reporting

Guests Present:

Mr. Brett Friedman, McGladrey, LLP  
Ms. Chantelle Knowles, McGladrey, LLP  
Ms. Karen Yi, Sun Sentinel  
Ms. Suzzy Sikler, Parent  
Ms. Ryann Greenberg, Parent  
Ms. Shari Perez, Parent  
Ms. Leslie Levinson, Parent  
Ms. Rebecca Norton, Parent  
Ms. Annejeanette Washington, Teacher, Manatee Bay Elementary  
Ms. Valery Adkins, Parent, Manatee Bay Elementary  
Ms. Carolyn Krohn, Parent

### **Old Business**

A motion was made to approve the minutes for the October 10, 2013 Audit Committee meeting. Motion carried.

### **FOLLOW-UP ITEMS**

Dr. Henry Mack stated that Follow Up Items #2 and 4 would be postponed until the next meeting, so that Dr. Desmond Blackburn could be in attendance.

### **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 “The Board did have its attorney/client session on November 5, 2013. We received direction at that point from the Board to engage in discussions with the parties in the litigation. I spoke to Mr. Oscar Soto this morning and received an update from him. Those discussions are proceeding and we’re hoping within the next couple of weeks to get back to the Board or bring some resolution to the matter.”

Dr. Mack asked “What’s your prognosis?”

Mr. Carland replied “I think we’re fairly confident that we’ll be able to resolve the case within the parameters that we’ve discussed with the Board.”

### **Follow Up Item #3 – 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. Pat Reilly stated “The Committee asked when the Kronos Payroll System would be implemented in the Food Service Department. I’ve provided an update document that explains that the Kronos pilot for seventeen Food and Nutrition Service locations was implemented on October 14, 2013. The go-live implementation for all Food and Nutrition Service locations is scheduled for November 25, 2013.”

## **Regular Agenda Items**

### **McGladrey, LLP – Comprehensive Annual Financial Report (CAFR) – June 30, 2013**

Mr. Brett Friedman stated “At this point, we have substantially completed the majority of the audit work. There are some things we are waiting for, such as the final issued financial statements for the Broward Education Foundation (BEF), an attorney response and a response from one of the Charter Schools, in order for us to complete our opinion with regard to the basic financial statements. We’re also in the process of finalizing the Single Audit compliance work. The School District, in order to comply with State requirements, is required to submit the Comprehensive Annual Financial Report by December 31<sup>st</sup>. You have a draft of the CAFR. After we get the last few items, we’ll be able to issue an unqualified opinion on the financial statements. An unqualified opinion is the highest level of assurance that we can provide. At the next meeting, we’ll be prepared to present our client’s results, with regard to any findings/recommendations regarding the financial audit and the Single Audit. At that point, we will do all the required communications with regard to how the audit proceeded. One thing that did delay some things was the relocation of many staff members from other facilities into this building (KCW). This was not their fault, but it did delay some items, as well as some items that are required from third parties, such as the BEF financials and the attorney response. Otherwise, the rest of this 186 page document was prepared by Scott (Krutchik) and his team.”

Dr. Mack stated “For the benefit of the new Audit Committee members, the cover memorandum is to simplify the analysis. It shows the differences and changes in the financial condition of the District from last year to this year and why these changes occurred.”

Ms. Charlotte Greenberg asked “On page 11, they may have changed the name of the scholarship program, so I could be wrong. You show Nan McKay Scholarships, but I believe it’s John McKay.”

Mr. Friedman replied “Scott will make a note of that.”

Ms. Greenberg asked “On page 93, in past years when Food Service had a surplus, the government didn’t like to see that; they wanted to see them spend the money on food. From the beginning, which was about \$27 million, it is now up to a \$38 million surplus. Is that going to cause the District any problems?”

Mr. Scott Krutchik stated “At this time, we don’t see any problems with the Food Service fund balance, but in the future, when the Auditor General comes in, we’ll find out more from them if it becomes an issue in the future.”

Mr. Ben Leong stated “We are aware of this issue regarding the Food Service Department. I think the Board has some idea on how to control the fund balance in the future.”

Dr. Mack asked “Is there any indication that we may have to give that money back?”

Mr. Leong replied “The Auditor General may have an audit finding that their fund balance is high. They may require that the Food Service Department develop a plan to reduce the fund balance. No money will be going back.”

Ms. Greenberg stated “Are there restrictions on what you can do with that money?”

Mr. Leong stated “Yes, absolutely. Part of the problem is that not all the kitchens have air conditioning. We are trying to use some of this money for infrastructure to help the working environment; however, the DOE now is under the Department of Agriculture and they will not allow them to do that.”

Ms. Greenberg asked “Is there any way to get a waiver?”

Mr. Leong replied “We tried so many times, but they keep denying it.”

Ms. Mary Fertig stated “You stated that there were some delays because of staff relocations. Were the Charter schools and the BEF impacted by those moves?”

Mr. Friedman stated “Those were not received by the School Board or by us. The delays we had were from several departments relocating. The BEF financials come from other auditors. I know Scott and Mr. Reilly have been following up with their auditors to try to obtain those audits. It’s the same with the Charter schools. I believe the ones that are listed had no financials, because those schools have closed.”

Mr. Reilly stated “Each year, we have a delay in getting the BEF financials. They say that we’ll be receiving them shortly. I believe they are still using the same firm, so the firm is familiar with their operation and records. I expect them soon, but we’ve had this situation for the last few years.”

Mr. Robert Mayersohn asked “On VIII, it stated Abby Freedman’s term expires 2016. I believe that should be 2014.”

Mr. Leong stated he would check on that.

Mr. Mayersohn stated “On page 11, following up on Charlotte’s question on the McKay scholarship, explain how the funds are brought in as FTE dollars and how they are sent out.”

Mr. Leong stated “The McKay scholarship is included into our revenue at the beginning of the year, but we never see the money. The State, when they get the calculation of the McKay scholarship, they just deduct it from our revenue. We’ll never see it. It’s not a flow through, if that’s your question.”

Mr. Mayersohn asked “So, you anticipate it coming in as FTE dollars, but it doesn’t come in.”

Mr. Leong stated “It shows up in our FTE, but when they calculate the number of students going out to the McKay scholarship, which equates to around \$18 million, they just deduct it from our revenue.”

Mr. Mayersohn stated “I’ve seen in financial reports of other Districts that there is an appropriation anticipated, so it doesn’t look like the District is losing \$20 million. The unintended consequences of making the assumption that you have been allocated money for students with disabilities, and now it’s moving out of the District and is counted as a revenue loss, could be projected as some unintended consequences if it’s projected that way. I’m not looking to get into it in this format, but I’m sharing with you, as a member of the ESE Advisory Council, that there could be some unintended consequences, if that’s projected that way.”

Dr. Mack stated “I would suggest that the Council communicate with Mr. Leong’s department to deal with that issue, rather than bringing it to the Audit Committee.”

Ms. Greenberg stated “On page 183, you’re listing instructional staff from 2004 to 2013. I’m looking at Principals and Assistant Principals. Although the instructional staff has declined, obviously because the student population has declined, we have more Principals and Assistant Principals than we did in 2004. Am I looking at that correctly?”

Mr. Nick Sakhnovsky stated “I believe that’s because more schools have opened during that period of time, but it’s true that right now, we’re over capacity.”

Mr. Reilly asked “Mr. Friedman, regarding the completion of this report, the Committee needs to transmit the report to the Board, but when do you think we’ll have everything ready? Also, on the Charter Schools, are all Districts including the Charter Schools in the CAFR, or is there a trend now where some Districts are excluding them as a component unit?”

Mr. Friedman replied “At this point, the majority of the large School Districts have taken the position that they are no longer component units of the District, under GASB 61. When talking with management, there was a strong feeling, given the significance of the Charter Schools and the amount of money that’s passed through, that it would be misleading to the readers of the financial statements to exclude those. That’s disclosed in footnote #1, that the Charter Schools are included; otherwise, it would be misleading to exclude all that information.”

Ms. Greenberg stated “You’re including them because you want to have a full picture, but on page 179, you show the student population listed as 260,796, but that’s including Charter schools, isn’t it?”

Mr. Krutchik replied “That 260,796 includes just over 33,000 Charter School students.”

Ms. Greenberg stated “Maybe it would be, in the interest of transparency, a good idea to make that distinction when you’re listing the school population to sub list the fact that it’s made up of 227,517 in the regular public schools and 33,279 in Charters, so people would get that in the picture also.”

Mr. Sakhnovsky stated “It’s not clear from one page to another whether we are including Charter Schools or not. Page 183 does not, but it’s not clear, unless we talk about it. I recommend listing as ‘District Operated Schools’ and ‘Charter Schools’.”

Ms. Fertig added “I think that’s very important. If page 183 does not include Charter Schools and 180 and 181 do include them, that would indicate to you that you have 33,000 fewer students even than we’re thinking.”

A motion was made to transmit the report, pending the addition of the missing data, as well as the modifications made at this meeting. Motion carried.

**Internal Audit Report – Review of Norcrest Elementary School Phased Replacement Phase III of III Project No. 0561-24-01/P.000105 Financial Closeout - Final Change Order No. 5 Agenda Item JJ-99D**

Mr. Reilly stated “Prior to the closeout of this project, we reviewed the Cost of Work included in this project and did a review of the Cost of Work vs. the terms and contract compliance. Basically, in our opinion, the project’s final cost of the closeout had charges that were included in the General Conditions fee and therefore, costs that were included in the Cost of Work were also considered being in the General Conditions. We reviewed all the cost binders and looked at several million dollars in the Cost of Work and determined that approximately \$692,000 of questionable costs relating to these items should have been covered by fees. We’re recommending that the District seek reimbursement for those costs. Some of the costs included items for repairing damages on adjacent property of the site. There were other items related to temporary fencing and clean up expenditures that are considered General Conditions. We prepared a matrix that lists each item that is cited with the contract terms, showing the basis for the disallowance. We also included the actual invoices that were paid. Mr. Runcie had asked us to obtain a legal opinion, because there were some differences on the interpretations of the contract terms and the actual amounts paid. The Office of the General Counsel provided a legal opinion that affirmed the comments and recommendations that we made. That is included in this report, also.”

Ms. Fertig stated “I’d like to compliment everyone involved on the way this was handled, having gone to Legal before it was brought to us, so we didn’t have to read it, and then send to Legal and bring it back to another meeting.”

Dr. Mack stated “There are some legal concerns from members of the Committee. On page 324, this is your legal opinion addressed by Mr. Reilly and also addressed by the Construction Department. I am not accustomed to seeing qualified legal opinions and to me, this opinion is weak. If we do not agree with Stiles and they elect to sue us, is the school’s position defensible and can we win?”

Mr. Carland stated “We stand by the position that we took in the memo and we do believe that those are defensible positions. We can’t guarantee any results in court. The factual basis sometimes changes as litigation proceeds, but we stand by our position and believe that it is defensible.”

Mr. Mayersohn asked Ms. Meloni “Are you comfortable with the legal opinion?”

Ms. Shelley Meloni replied “The Legal Department was presented with a couple of questions from the Office of the Chief Auditor. In their response to those questions, as presented in this memo, I am comfortable with their response to the questions and the information that was presented.”

Ms. Fertig asked “In looking at the responses from Facilities, a number of times there seems to be a difference in the interpretation on what should be paid and when it should be paid. I’m wondering what process you use when you are interpreting the contract to say you should pay something. Do you consult with the attorney’s office? Do you pay it and then later question whether you should have paid it? When there has been a change in a contract, and you interpret it to mean that you are paying something, but later someone says you shouldn’t have paid it, what is the process?”

Ms. Meloni stated “Ms. Fertig, we typically refer to the contract and do not call upon our attorneys for every pay application. In instances where there may be some changes, we retain a consultant that works along with us to review the pay applications. We rely on the expertise of that consultant to guide us. We do not consult with the attorneys for each pay application. I cannot speak for them, but I’m sure that would place a large burden on their workload.”

Ms. Fertig asked “In this case, you paid a consultant to guide you in making these payments. Is that the process that was used?”

Ms. Meloni stated “I don’t know specifically on this project. Perhaps Mr. Archer can speak, because this goes back quite a few years, under a different Project Management. I don’t recall if we actually had, for instance, a consultant. One of our consultants that we use quite frequently, CMS, reviewed this at the closeout. You see some of the results in the overall package. I don’t know that they were part of the process.”

Mr. Dave Archer added “I’m closing out the project. I was not the actual Project Manager. CMS was part of our Project Management team, so all our change orders, all our time delays were reviewed by CMS. When we came to close out the project, CMS continued with their service and provided interpretation to the contract and then we developed our final change order. CMS was part of our process, ongoing, and at the final.”

Ms. Fertig asked “CMS recommended that you make these payments.”

Mr. Archer replied “That is correct.”

Ms. Fertig asked “I’m questioning why we have an in-house person who is an attorney and works with these contracts all the time. If we have hired this person to review these payments and we’re paying them for their services, do they have some kind of liability for giving us the wrong advice?”

Dr. Mack stated “The person who was in charge of this department back in those days made some decisions that were not necessarily in the best interest of the School District. It is because of that kind of behavior that we are asked the question. The person who was the head of that department has passed away, so he’s not here to defend himself or his actions. We can’t expect Shelley to be able to answer those questions. I don’t think the answer to your question is really here. I think the question is what is being done now to prevent this from happening in the future. That’s the real issue.”

Ms. Fertig stated “I know that Ms. Meloni has just walked into this and that she has done a lot to try to change the process. If we paid someone to review these invoices, what is the liability of that person who you are paying for their advice?”

Mr. Reilly stated “My understanding is that CMS was used for reviewing change orders and the closeout, but for the routine monthly pay requests by the contractor, they don’t review those pay requests.”

Mr. Archer stated “In this instance, I believe they were. The Project Manager at the time was relatively new. He was advised to engage CMS in the process early and for that reason, they were an active participant in the process. I think some of the issues that may cause some confusion or interpretation issues may have been dealt with during the revisions of our contracts. I believe there were some gray areas that maybe the consultant interpreted the final numbers, based on the contracts that were in place at the time. The process now has been corrected and I believe the contracts are a little clearer and specific as to what is charged to General Conditions. We were working with a contract that was prior to the McGladrey report.”

Dr. Mack stated “I think you are answering the wrong question. The question is if you have contracted with a firm to review these things, what is the extent of their liability in the event that something happens? I don’t think you can answer that. I don’t know if Legal can answer that, unless they are familiar with the contract between the contractor and the District.”

Mr. Sakhnovsky asked “On page 325, Article 3.01, on the General Conditions, it states that the owner shall be the initial interpreter of the requirements of the contract documents and the judge of the performance thereunder. I would assume that means that even if we get advice, the owner is still responsible. Where does the role of the auditor come in? The auditor ends up conflicting with the initial interpretation, which I believe happened in this case. The owner is still the School Board of Broward County. At what point does the School Board of Broward County’s decision become final in the interpretation of these direct costs, etc. I’m confused on where the final decision by the owner comes in.”

Dr. Mack stated “The recommendations by the Office of the Chief Auditor are what we are looking at now. What we have to clarify in our minds are the questions, similar to Ms. Fertig’s questions. When we transmit the report to the School Board, we’re saying that we buy into the Auditor’s recommendation, because after all these folks have done whatever they do, the bottom line is whatever we recommend will bring this to conclusion. I will assume that the Superintendent is aware of this report and works with the Office of the Chief Auditor and understands the Auditor’s position and will be able to defend it when it comes before the Board. We won’t have to defend it. We just make our recommendation that the report be transmitted to the Board. They will have the Chief Auditor there as they always do, but in terms of how the process goes, that’s where we are at this point.”

Mr. Sakhnovsky stated “Thank you for the clarification. Based on Shelley’s response to Mr. Mayersohn, there will be nothing more forthcoming from your section. At this point, you’re on board with this report?”

Ms. Meloni stated “We will follow the recommendation of the Office of the Chief Auditor.”

Mr. Sakhnovsky asked “We’re talking about 67 items worth almost \$700,000. Are we saying they are all in the same ball of wax, or is it the opinion of the legal staff that further clarification of each item is necessary, based on your opinion?”

Mr. Thomas Cooney stated “I don’t know if a copy of all those items is attached to the audit, but I don’t need any further clarification on those items. Any additional material would not change the opinion. Each issue stands on its own and has its own factual circumstances surrounding it.”

Mr. Sakhnovsky stated “For example, the damage that a CM causes to a neighboring property can be construed differently than some of the direct costs under this term of the word “all” which is used in Section 26.02.”

Ms. Greenberg stated “This is now the third audit we’ve received where apparently CMS was involved. They were used for Cypress and Palmview Elementary Schools also.”

Ms. Meloni replied “That is correct.”



Ms. Greenberg added “This is the third strike for CMS in my opinion. I think of this as my money. Are you planning on using CMS for any future consulting work?”

Ms. Meloni replied “I don’t know, Ms. Greenberg, if I plan to use them. If they’re available as a consultant, I take each project individually. I don’t know that their performance has been unsatisfactory. They did a task for us based on information that was presented to them. If we hired another firm, perhaps there would be another interpretation or some similar interpretation. They generally have a good reputation in the industry. I agree this is the third project where they have been involved. I can’t say whether I would decline using them. If they come before us again in the future, it would be a matter of whether the Selection Committee deems their work as having been satisfactory and it would have to be based on feedback. I can’t say that these three instances would determine their future work in the District.”

Ms. Greenberg stated “I’m sorry to hear that. I am hearing that they have done this three times in a row. If Facilities had gone to our attorneys, who are quite capable, we wouldn’t have had to get a consultant, because we have an excellent legal staff, who are quite capable of answering those questions. On the Selection Committee, they very rarely get to hear this, unless they try to dig to get information on past performance. It’s pretty much boilerplate when they’re pre-qualified. They don’t get involved, and that’s a flaw.”

Dr. Mack stated “I want to make it clear that the Construction Department not burden down the Legal Department with problems that you can solve yourselves. I know, as Charlotte and some others know, that the real problem was not the consultant. Now that you are driving the boat, Shelley, we will look to you to make those kinds of decisions and determinations within our own resources, first. We will leave the decision up to you on whether you will use that firm again. I don’t have enough information to say that I wouldn’t use them, because the problem was not them. If they were properly supervised and properly managed, they would not have made these blunders, and basically from your observation, they have a good reputation in the industry. I don’t see where they operated in bad faith. I would certainly, as Charlotte stated, look at them very closely. You’ve got some decisions to make. You noted something bad happened before and you don’t want that to happen on your watch. You have no loyalty to them; you have a loyalty to the School District. If you use those folks again, I would strongly recommend that you look at them very closely and try to find some other resources as an alternative, with a view toward reducing the work load of our Legal Department. They have enough to do. I’d like to take some pressure off them, so they can do a better job. Right now, they are doing a lot of things and as a result some things are not being done as well as they could be, because they have limited resources also. As an Audit Committee, we’ve got to take all these things into consideration.”

Ms. Fertig stated “They recommend to you that you pay something. Is that a written recommendation?”

Ms. Meloni replied “I don’t know, Ms. Fertig, if it came in writing.”

Ms. Fertig added “For the purpose of clarity, that when you hired someone to recommend a payment, there should be a trail to ensure that person recommended that payment and that it doesn’t fall back on you. I’m glad you brought this up, because if you hadn’t, I wouldn’t have thought of that. I would just assume you had a clear trail of what they recommended and what they didn’t

recommend. If you don't have that trail, then that would be a positive thing we could recommend in the future."

Dr. Mack stated "The agreement between you and your consultant should go to Legal. If there are going to be consequences for their lack of action or inaction, the consequences of that should be spelled out in the contract and reviewed by our Legal Department."

Mr. Sakhnovsky stated "I'm confused. Pat said that normally you don't use a consultant for this level for those types of payments, but it was indicated that in this specific case, because Stiles was new, they were relied on more. What contractual relationship did you bring CMS in on for this particular project?"

Ms. Meloni replied "In addition, because our Project Manager was fairly new to the District, we did engage CMS, according to Mr. Archer."

Mr. Sakhnovsky asked "Was that done in writing?"

Ms. Meloni replied "They would have been given an Authorization to Proceed (ATP) to review the work."

Mr. Sakhnovsky asked "Not that that information affected their opinion, but should they be requested for further advice, that would be essential information for our Legal team."

Ms. Greenbarg stated "I wouldn't want to overburden our Legal team. Would you be overburdened, considering the circumstances surrounding this District in Facilities and the past history, if they erred on the side of caution and asked you about these payments?"

Mr. Carland replied "I have to disclaim my comments that I'm not very familiar with the payment process that goes through Facilities on these projects. Perhaps what we could do to assist in these situations would be to get involved at an earlier point to avoid these kinds of issues coming to you. I would think that from a process standpoint, we should have some type of flowchart to indicate how payments are being processed; whether they are large change orders or the day to day, month to month payments. Included in that flowchart process could be some touch points where Legal should be consulted. We could also articulate with those touch points what the standard is that should be applied by either the consultant or Facilities staff, to say, under these conditions, we need to consult with Legal to ask questions now, rather than later. Obviously, if we are using a consultant, we have contracts in place for those. We'll go back and look at those agreements to ensure that the duties and expectations are clearly spelled out. We can also articulate in those agreements, where needed, in conjunction with the touch points on the flowchart where they may need to consult with the General Counsel's Office or at least identify issues to Facilities staff. We will follow up with Mr. Cooney and Ms. Meloni."

Ms. Greenbarg stated "That's a really good beginning and I'm happy to hear that. I respectfully disagree that it is not CMS' fault. I believe it is CMS' fault. I believe they are responsible to give advice to Facilities about what to pay. They are supposed to know what's in the contract. They are supposed to know as much as Pat knows about when they should and shouldn't pay. They are being paid to know that and I believe it is their fault. I don't care what Mr. Garretson or Mr. Renfro, or any of his predecessors said. It doesn't really matter, because the problem is that they are being

paid to do a job and they didn't do the job now, three times that we know of, and that's not satisfactory to me."

Ms. Fertig stated "I'd like to get on the record that I concur."

Ms. Greenberg asked "What role does Denis Herrmann, the Contract Administrator, play in this circle of events?"

Ms. Meloni stated "He was the one who compiled and processed the agreement and took it to the Board and was initially involved in some of the change orders. Denis Herrmann no longer works with the Facilities and Construction."

Ms. Greenberg asked "But he still does contract administration?"

Ms. Meloni replied "He does contract management in the Purchasing Department (Supply Management & Logistics). He is still responsible for contract language and procurement."

Mr. Sakhnovsky asked "Did he sign the pay orders in this particular case?"

Ms. Meloni stated "No, not the pay applications."

Ms. Greenberg stated "There is another issue I see, which I spoke with Pat about. Aside from the fact that we need to use McGladrey's contract template, using a decent contract with whatever consultant you may decide to bring on, I strongly suggest you work with our Legal Department to put in that template, when you go to them, when you don't, etc. I think you'll save a ton of money and aggravation. It seems that General Conditions are paid up front, instead of being reimbursable. I believe that if the General Conditions were reimbursable, you would have a lot less aggravation, because it's really hard to get it back from them."

Mr. Reilly stated "That's one of the things that McGladrey recommended, that General Conditions be a reimbursable, but the General Conditions are not totally paid up front. It's progressive through the project."

Ms. Greenberg added "I also have a question about Palmview and Cypress on these same issues. You might find some money there that we're not aware of. I'm extremely unhappy that we keep getting these things. I hope that the things we talked about today will put an end to this process of Facilities disagreeing with the Auditors and having to go to Legal. If Facilities agreed with the Auditors, we wouldn't have to go to Legal for an opinion. That's the way it should be."

Mr. Reilly stated "I don't want them to agree with us if they don't agree. We are performing an independent audit. This is our position. It's not unusual to have a different opinion on the contract interpretation. In the last two cases and this case, it becomes a legal issue of interpreting the contract. I think the theory that everyone needs to agree is not what an audit is. We perform an audit and we support it with the documentation that we feel supports what we're saying. It's not a personal thing; it's not a maybe thing; it's supported by documentation."

Ms. Greenberg stated "I agree that you have supporting documentation, which is why we depend on you and we have such confidence in you. When Facilities sees that audit, and the documentation is there, it seems that they should agree with it, unless they are lawyers and have a legal opinion

that can dispute it. Their interpretation is one thing, but you're the auditor and you have the documentation."

Mr. Sakhnovsky stated "The School Board attorney, in my opinion, hit the nail on the head with the idea that this should be resolved at critical junctures, and the initial contract should be clearer. We're working on all that. Progress is being made."

Dr. Mack stated "I'm delighted with what the Legal Department is going to do. I would really like to see an update at the January meeting about where you are in that process."

Mr. Sakhnovsky stated "It is essential that the QSEC process include, up front, without having members having to dig and dig, information about past performance of vendors. There is no obligation or loyalty to the applicant; it's to the owner, the District. Standards can be set at a high level and past performance is an obvious thing to include in a very prominent fashion."

Ms. Greenberg stated "In terms of the attitude of Facilities toward the Auditors, what I saw in the last three audits was that Facilities disagreed with the Auditors in every single point, all the way down the line. That's what I don't want to see anymore. If an outsider looked at that, they would say, 'Does Facilities work for the contractor or the District?'"

Ms. Fertig added "Rather than disagreeing, you were acting on the advice you were given and that advice told you to take the actions that were taken. Is that correct?"

Ms. Meloni stated "Yes. Also, to explain why we took the actions we took. It's not about disagreeing with the Auditors; it's about clarifying and explaining the process we took in doing whatever we did."

Mr. Jeff Moquin stated "I, like Paul, do not have tremendous expertise in this area. One of the limitations of an audit is that it's typically done after the fact. We've had a lot of conversations today about a project that was initiated and largely managed under an entirely different administration. What I don't want lost in the conversation is the tremendous strides that the new Superintendent and the new administration are taking to aggressively deal and improve the operations and restore credibility of the community in this area. Whether it be the proactive audit to ask McGladrey to come in and review our processes and our contracts and make all those changes to the contracts; you've seen changes to the senior management in this area. We are currently in the process of transitioning to the new way to deliver program management services in this area. Most importantly is the collaboration that's demanded by the Superintendent of all the parties. I heard the Committee members speak to that today, in terms of Legal, Facilities and the Office of the Chief Auditor working collaboratively to move this District forward. I don't want that to be lost as we analyze in depth this audit report."

Mr. Joe Wright stated "We would like to be included in the follow up on the reimbursement that Ms. Meloni will be taking our recommendation to pursue reimbursement. Can we get a copy of the document that does seek reimbursement and also a copy of the check when it comes in?"

Dr. Mack stated "That's not going to be a condition of our transmittal."

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “This audit represents eight schools. Six schools had no audit exceptions and complied with prescribed policies and procedures. There were two schools that had some findings related to late remittances and missing receipting documents. Both are cash collection types of controls that need to be corrected. One finding was a matter of transferring the receipting documents to the Business Support Center, but they did not do that. That has been cleared.”

Mr. Mayersohn asked “On page 29, the response from the Principal to Dr. Blackburn, (item #1) states the faculty has been trained on the process of collection of envelopes. Do you know when they were trained?”

Ms. Airaghi stated she would follow up.

Mr. Mayersohn added “On page 31, it states that school staff did not account for the 50 monies collection envelopes. What was the date that those were issued? Can you follow up on that, as well?”

Ms. Airaghi stated “Yes.”

Discussion followed.

Ms. Greenbarg stated that the reports were getting better and better.

A motion was made to transmit. Motion carried.

### **Internal Audit Report – Property and Inventory Audits of Selected Locations**

Mr. Reilly stated “There were thirty-five locations audited, thirty-one schools and four departments. Thirty-three of the schools complied with all policies and procedures relating to property and inventory. There were two schools that had some unaccounted for items. The historical cost for the inventory at these thirty-five locations was approximately \$48 million.”

Ms. Greenbarg asked “On page 17, I’d like to commend the Principal. The processes and procedures that she has listed for corrective action are excellent. Mark, I know you and your team had been doing a lot of the work for these schools. Are you still participating more than you should?”

Mr. Mark Magli stated “A lot of things are already implemented and working. It’s a matter of maintaining what’s been established in the former Area Offices. They did a lot of work to collaborate with us. The mechanism to succeed is in place.”

Ms. Greenbarg added “I’d like to commend you and your staff for the training you provide.”

Mr. Magli replied “Thank you. My staff still tries to update schools and all the people they are associated with during the audits. To my knowledge, that’s the main part of what’s being provided to the school staff. They are doing a great job.”

Ms. Jeanne Jusevic stated “With the Plantation High Principal, I like the fact that she recognized that a plan is meaningless, unless there’s implementation. You very rarely see Principals say that, when they’re drawing up their plan. Even though this didn’t happen on her watch, she’s clearly taking this seriously.”

A motion was made to transmit. Motion carried.

### **Other Items for Discussion**

Ms. Greenburg stated “I have a question about this Program Management process, where the Auditors were not allowed to speak. I think Pat sent his memo and I forwarded it. The Auditors were prohibited from speaking, objecting to and asking questions about what was going on at the QSEC meeting. Are you going to audit that process, that whole situation, that extravaganza that occurred?”

Mr. Reilly replied “I think our Auditor who was there did speak. He didn’t back down. I think it’s straightened out now. We are there as a non-voting advisory. If our auditors have questions, they are going to ask them.”

Ms. Greenburg asked “Are you going to do an audit of this after the dust has settled, that process that occurred?”

Mr. Reilly stated “I think there were corrections recommended and made. I don’t think we need to do an audit. I think we’ve cleared some of the things that we’re going to do in the future. We discussed some things we want to ensure that we don’t do. I don’t think there’s an issue anymore.”

Dr. Mack stated “As you know, I’ve been in this game now for 40 years. Audit Committee Members who serve on other committees within the School District often find themselves finding difficulty making a transition from one committee to another and have a habit of letting what they know from one committee spill over into the other committee. I hope I’m making myself clear. For example, Charlotte has served on the QSEC. She has shown me over the years that she can operate with the QSEC and the Audit Committee without merging the two together. Bringing information to the Audit Committee that we were not privy to from her committee should not be involved with the Audit Committee. If you serve on other committees that are involved in something else, but related to the Audit Committee issue, leave it alone. The Audit Committee only deals with audit reports. We had a group of people from Manatee Bay here today. I spoke with them before the meeting and explained to them that we’re not even concerned about these issues between the parents, the PTO and this business at the school. We allowed Ms. Jusevic to vent at the last meeting about her concerns about Manatee Bay. That didn’t mean that we took any issue to it, because I told her before, during and after, that her comments were being made out of courtesy, but it was not the Audit Committee’s business. Let’s try to avoid that type of thing in the future. I’m not going to allow anyone to speak anymore, as I did with you. I realize that opened the box.”

Meeting adjourned at 2:00 p.m.