

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

January 23, 2014

Ms. Charlotte Greenberg, Vice 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
Ms. Mary Fertig
Ms. Charlotte Greenberg
Mr. Robert Mayersohn
Mr. Andrew Medvin
Mr. Nick Sakhnovsky
Mr. Duane Wolter

Staff Present: Mr. Jeffrey Moquin, Chief of Staff
Mr. Paul Carland, SBBC, General Counsel
Mr. Ben Leong, Chief Financial Officer
Dr. Desmond Blackburn, Chief School Performance & Accountability Officer
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Mr. Eric Chisem, Risk Management
Mr. Scott Krutchik, Accounting & Financial Reporting
Mr. Ivan Perrone, Treasurer's Office
Ms. Laurel E. Thompson, Director, Student Services
Ms. Rosemary Russo, Student Services
Ms. Pat Snell, Pupil Transportation & Fleet Services
Mr. Vincent Harrell, Transportation Services & Fleet Services
Ms. Ann Conway, Manager, Operational Audits, OCA
Ms. Delores McKinley, Manager, Internal Audits, OCA
Mr. David Sabra, Internal Auditor, OCA
Mr. Joe Wright, Facility Audits, OCA
Mr. Mark Magli, Manager, Property & Inventory Control, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present: Mr. Brett Friedman, McGladrey, LLP
Ms. Chantelle Knowles, McGladrey, LLP
Ms. Karen Yi, Sun Sentinel

Old Business

A motion was made to approve the minutes for the November 14, 2013 Audit Committee meeting. Motion carried.

Mr. Robert Mayersohn stated “We all received a letter from Construction Management Services (CMS) to David Archer (relating to Norcrest Elementary Audit presented at the November 14, 2013 Audit Committee meeting – CMS letter attached). On page 2 of this correspondence, item #5 states “Within the items being charged as “Job Cost”, CMS usually considers them to be part of the “General Conditions Fee” (\$780,637.00) and not additional/separate line items of cost. Please advise on the following”. “It gives a list of Surveying \$24,180, Street Cleaning \$21,044, Temporary Fencing \$49,835.65, Temporary Walkway \$83,299.20, and Final Cleaning \$25,947.37. These are items that they are not recommending to be paid. It doesn’t pay to discuss it because Dave Archer and Shelley Meloni are not here.”

Ms. Greenberg stated “I think it does. We need to get it on the record. There will be a follow up on this, presumably. Ms. Fertig asked at the last meeting if Facilities recommended paying the contractor over \$700,000. Ms. Fertig asked ‘You were acting on the advice you were given and that advice told you to take the actions that were taken. Is that correct?’ The answer by Ms. Meloni was ‘Yes’. Mr. Archer was asked the same question by Ms. Fertig ‘CMS recommended that you make these payments?’ Mr. Archer replied “That is correct.” The problem is that we didn’t have this letter at the time of the meeting. Subsequent to the meeting, we were sent this letter which clearly showed that CMS did not recommend that they make said payments. I was the one who spoke forcefully about CMS telling them to make the payments, because I took them at their word and thought that CMS did, in fact, tell them and I was quite upset about it. I think you’ll remember that. I asked if they were planning to hire that company again. I couldn’t reconcile the two things. Because I took Facilities staff at their word and because I said those things, I now have to correct, for the record, that CMS did not tell Facilities to make the approximate \$700,000 payment to the contractor for Norcrest Elementary. We were given erroneous information and I want to put that on the record that CMS did not say to pay the contractor.”

Mr. Nick Sakhnovsky stated “CMS did not have a representative at that meeting. Is that correct?”

Ms. Greenberg replied “That is correct. There was no representative at that meeting from CMS to refute.”

Ms. Mary Fertig stated “When I came to the November 14, 2013 meeting, I thought the conversation was going to be different, based on what I had read in preparing for the meeting. Because of the statements that were made at that meeting, I think that what we forwarded to the Board gave an incorrect picture. It’s not because Mr. Carland gave us the wrong information. It’s not because Mr. Reilly gave us the wrong information. When I got this letter, I thought, we would have had a very different conversation. I believe we would have sent different recommendations to the Board. The Board did not really receive a clear picture of what happened in this case and I want to get that on the record, because I think we’ve been very careful over the years to make recommendations that we feel would move the District in a positive direction. I wouldn’t want them to look at us and say ‘you blamed it on this group, and they didn’t do it.’”

Mr. Sakhnovsky stated “I don’t know if it’s necessary to make a motion. It’s clear to me that we were not fully informed at that time and I’d like to request a representative be at the next meeting,

so that we can have a representative from Facilities, as well as a CMS representative, if possible. Otherwise, I will make a motion to the Board that we were not fully informed and we can't stand by the recommendation."

Ms. Greenbarg stated "I don't know why we can't do both, because we were not fully informed and we couldn't stand by the recommendation. To have them at the next meeting is a really good idea, because that needs to go on the record, also."

Mr. Sakhnovsky stated "I'd like to make a motion that the Committee makes a statement that we were not fully informed at the last meeting. The Committee requests more information to be brought to the next Audit Committee meeting, and therefore, we would like the Board to hold in abeyance the recommendations made regarding Norcrest, CMS and payments. The motion was seconded."

Ms. Fertig stated "My concern is with the words 'not fully informed'. I feel we were incorrectly informed on a key point, which is why the payments were made."

Mr. Sakhnovsky added "incorrectly informed" to the motion.

Mr. Duane Wolter stated "I would like to amend the motion to say that we are rescinding our previous recommendation."

Mr. Pat Reilly added "I think the key point is that the report that was brought forward was the audit performed by our department, regardless of that letter. Our audit was based on our research, our work; it's ironic that their recommendation was similar to the finding that we had in there, but it had nothing to do with discussing the results or the opinion of our audit that was presented to the Board. The question is that two people have different answers to what CMS did or didn't do. We are also in the process of trying to finalize the settlement with that vendor. That letter was not part of our audit; our audit was independently performed using data and information obtained from the Facilities Department. If anything, that letter supports our audit that CMS concurred with our recommendation."

Ms. Greenbarg stated "So, you think our motion should not be discussing our recommendation, but the fact that we want to bring to the Board's attention that this situation occurred. Is that correct?"

Ms. Fertig stated "That really is what I'm after. We were told directly that they paid almost a million dollars because of the consultant's recommendation. In fact, just the opposite was the case. Let's find out where the process failed, so it doesn't happen again."

Ms. Greenbarg asked "Do you want to withdraw the motion and then talk about something else in terms of what we want to tell the Board?"

Mr. Mayersohn stated "I suggest we withdraw the motion, because, as Pat said, this document supports his findings. The Facilities response to what the attorney has said, what the audit says, and this document, all clearly support the audit report. I don't know if the Board has received this letter. That needs to be transmitted to the Board, as well, so they understand our findings. As far as how the Superintendent and Mr. Moquin want to move forward with the process, so that there is clear communication between a consultant and Facilities, that I'll leave in the hands of the Superintendent."

Ms. Greenbarg stated “That’s not the issue we’re discussing. The motion is how we want to word this.”

Mr. Sakhnovsky stated “The fact is that we were not properly informed. It was material. At the least, if I withdraw the motion, I’d like to find out from Pat whether this letter has been transmitted to the Board.”

Ms. Greenbarg stated “Let’s start by withdrawing the motion.”

Mr. Sakhnovsky stated “I’m not withdrawing the motion.”

Mr. Reilly stated “I’d have to determine whether the letter was sent to the Board. It may have been, because, when it came forward, it was forwarded to the Audit Committee members, but I’ll check on it.”

Mr. Sakhnovsky stated “If it can be assured that it (CMS letter) will be sent if it wasn’t already, and if we can put this on the agenda for the next meeting, I think that will be sufficient. With that understanding, I’ll be happy to withdraw.”

Ms. Greenbarg added “Is everyone OK with that? The letter will be sent to the Board if it wasn’t already sent and we’re going to invite Facilities, Shelley Meloni, Dave Archer and the representative from CMS to attend the next Audit Committee meeting and get stuff on the record.”

Ms. Fertig stated “I’d like to comment on Mr. Mayersohn’s comment regarding the Superintendent and the process. I agree with you. Again, did the people involved follow all the procedures in place? If not, how can this be done better? We can hopefully recommend something that would make sure this doesn’t happen again. What we talk about as a group is directly impacted by the information we get from the people who come and answer the questions, and in this case, we received totally erroneous information.”

Ms. Greenbarg stated “It’s hard to believe that we would be given information so incredibly opposite of the facts. I don’t know if it’s communication. I think the communication is pretty clear. It’s in black and white and in English.”

Mr. Sakhnovsky stated “I would add that the School Board Attorney gave his opinion, at that point, as well. It was definitely not clear what the role of CMS was. It was not typical, we do know that in this case.”

Mr. Reilly stated “Our audit stands alone by our supporting documentation. That is an after the fact item. I don’t need that to substantiate my findings, although that letter supported them. It’s important to remember that CMS is a consultant. Even though they give us information, it’s still management’s decision to disregard it or accept it. I think it’s difficult to say we only paid this because CMS told us to do so.”

Ms. Greenbarg stated “That’s the point. That’s what they said. It’s in the minutes, Pat.”

Mr. Reilly stated “Again, I don’t think that was the basis. I want to clarify that it didn’t have anything to do with the report that we performed.”

FOLLOW-UP ITEMS

Item #1 - Update on the Audit of the Ashbritt, Inc. and C&B Services Invoices for District Portable Repairs Related to Hurricane Wilma – July 23, 2009

Mr. Paul Carland stated “At this time, the counsel for the School Board has prepared a settlement document in line with the direction from the Board that we received. It is in the hands of counsel for Ashbritt. We anticipate it being executed within a week or two. Following that, it would be put on the Board agenda for formal approval.”

Ms. Greenburg asked “When it’s public record and the Board approves it and everything is done, could the Committee please get a breakdown of all the expenses this District incurred dealing with this issue from the beginning?”

Mr. Carland said “Yes.”

Item #2 – November 14, 2013 – Internal Audit Report

Mr. Reilly stated “This item was regarding missing monies, collection envelopes at Castle Hill Elementary School, which was presented at the last meeting. The Committee asked when the faculty was trained and the dates that the monies collection envelopes had been issued. We determined the last training was July 29, 2013, which was a training seminar prior to the opening of the school year. As far as the monies collection envelopes, they are issued periodically throughout the year as they are needed. Since that audit, this school is now being handled by the Business Support Center.”

Ms. Greenburg asked “Just because they are in the Business Support Center doesn’t mean that they will not be audited, correct?”

Mr. Reilly stated “They are still audited.”

Mr. Reilly stated “Dr. Mack was unable to attend today’s meeting. He had a question on two follow up items from the last meeting. At the last meeting, they were not discussed, but the answers were provided to you with the follow up items. They were provided again today.”

Ms. Greenburg asked “Have we heard any more from Manatee Bay? Are they a PTA or not? Are they still collecting money? Are the teachers still getting paid?”

Dr. Blackburn replied “The PTA has been restored at Manatee Bay.”

Ms. Greenburg asked “And they agreed to follow all the rules?”

Dr. Blackburn replied “That’s correct.”

Ms. Greenburg asked “And the teachers are not getting paid outside of their regular teaching duties?”

Dr. Blackburn answered “They’ve agreed to follow all of the rules.”

REGULAR AGENDA

McGladrey, LLP - Auditor’s Communication of 2013 Audit Results

Mr. Brett Friedman stated “There are certain required communications, in accordance with Generally Accepted Auditing Standards that we’re required to have with those charged with governance. The audit was completed on time with the assistance of management. There were no issues with regard to completing the work. With regard to accounting policies and practices, it’s management’s responsibilities to lay out the accounting policies and practices that they will follow. In the current year, there were two new accounting principles. The first one was GASB Statement #61, which had a potential impact regarding Charter Schools. Management had reached a conclusion that it would be misleading to exclude the Charter Schools; therefore, the Charter Schools were included as part of the School District’s financial report and in the CAFR that was presented to the Board in December. The second statement dealt with GASB Statement #63, which addresses financial reporting and deferred outflows, inflows of financial resources in net position. That one affected some terminology in the report, but did not have any significant effects. That is in place if you have interest rate swaps or service concession arrangements, which the School District did not have. We did not identify any significant or unusual transactions that were in controversial or emerging areas that are not in accordance with current authoritative guidance. As far as alternative treatments discussed with management, there was a lot of discussion about GASB Statement #61, because a number of Florida School Districts had been taking different opinions on that. I know the Department of Education recently provided some feedback, but we had a discussion, as we stated. Management felt that in their opinion, it was misleading to exclude the Charter Schools, which are part of the provisions and the determination in GASB #61; therefore, we had no issues with it. The next item is management’s judgments and estimates. A significant thing about the accounting estimates is that a lot of what the School District receives is on a cash basis, either money received or money paid, but the areas that are most subject to management impact are your estimates, because they are basically accrual entries that are booked. As far as audit adjustments, we did have one proposed and recorded audit adjustment, which is included in this package. That had to do with a mis-recording of an item dealing with a disbursement to the IRS. There were some uncorrected mis-statements, which were attached to the Management Representation Letter. Those are items that are deemed as not significant; therefore, deemed not necessary to modify in the report. During the course of our audit, we did not encounter any disagreements with management over the application of accounting principles. We did not encounter any significant issues with the audit. We’ve also included the Single Audit Report (A-133) and the Management Letter. As far as the significant accounting estimates, the items to be aware of are accounting for other post-employment benefits. The District has an obligation for other post-employment benefits, which get recorded at the government-wide level. They employ the use of an actuary to help them calculate that estimate. We looked at the underlying data provided to the actuary, looked at the methodology they applied, and deemed it to be consistent and reasonable. They also use actuaries to assist with the District’s self-insurance program. Other items are the allowance for doubtful accounts and depreciation of capital assets. We looked at the methodology applied by the District; it’s consistent with what they applied in the past. The next section is some recently adopted accounting standards that will affect the District going forward. A couple to highlight are GASB Statement #65, which deals with items previously reported as assets and liabilities. It’s a companion to GASB Statement #63. That will result in some items being moved around. It will result in two new areas on the Financial Statements, referred to as deferred outflows and deferred inflows. It won’t have a dramatic effect on the underlying nature, but it will change how things are presented. As an example, a deferred outflow, like a prepaid item, is not necessarily an asset; it’s just something that hasn’t occurred yet. Another standard that’s coming out is GASB Statement #68. The significance there is that it will require all entities,

including the School District that participates in the Florida Retirement System, to include on the face of their statement, your portion of your obligation for the unfunded actuarial liability for the Florida Retirement System. That information will be provided, obviously, through the State. That is something that has not traditionally been disclosed since you're part of a multi-employer plan, but that now will end up on the face of the School District's statement. In the case of most School Districts and municipalities, it will be a significant liability that will show up on the report. A couple of other standards, GASB #69 and #70, based on the current operations of the School District, do not have a significant impact."

Mr. Duane Wolter asked "On page 8, you highlighted an adjustment. I was concerned by the size of the item. Also, this impacts one of our important internal controls, bank reconciliations. Was this a one-time mistake or do we have a systemic problem on the accuracy of our bank reconciliation?"

Mr. Friedman replied "Chantelle will cover this next in the management letter, but it was a mistake that had to do with the timing of the transaction and the supporting documentation provided for it. It was an item that appeared as an item in transit, which was actually not a deposit. It was supposed to be a reduction. The net effect was that it was grossing up the statements; it was a timing item, but they've implemented new procedures, which are addressed in our Management Letter and response."

McGladrey, LLP - Auditors' Reports Required by the Office of Management and Budget (OMB) Circular A-133 (Single Audit Report) for the Year Ended June 30, 2013

Ms. Chantelle Knowles stated "Page 9 of the Single Audit Report contains a summary of what we tested and any findings. We issued an unqualified opinion on the financial statements. We did not identify any material weaknesses or significant deficiencies in internal control over financial reporting. We didn't note any non-compliance that would be material to the financial statements. Regarding the Federal Awards, we selected and tested six major Federal programs. We did not identify any material weaknesses or significant deficiencies in internal control. There were no audit findings that would be required to be reported in accordance with Circular A-133. As part of the report, we were also required to follow up on prior year findings, which is on page 11. There were two findings in fiscal year 2012 that were corrected during fiscal year 2013."

Mr. Friedman added "Also, on page 9, there were six major programs tested from the Federal awards, including the Child Nutrition Cluster and the School Improvement Grant's Recovery Act Cluster."

McGladrey, LLP - Management Letter for the Year Ended June 30, 2013

Ms. Knowles stated "We had two current year recommendations. The first one we've already mentioned, relating to the bank reconciliation adjustment. It was recommended that the District staff provide management with proper and more detailed information and supporting documentation, in order for them to review the bank reconciliation to ensure that doesn't happen in the future. The second comment relates to SAP User Access. We noted during our testing of IT general controls, there were two employees that were granted SAP access, without having completed the proper documentation. We did further testing to see if any of the information was misappropriated or if there were any issues regarding the employees having improper access. There were none. We had five prior year findings, noted on page 5. There were two findings that

were either addressed or no longer relevant this year. Those were Depreciation of Capital Assets and Deferred Revenue. There were three comments that we had from prior years that were still relevant or had been partially implemented. One finding was Payroll Approval. As part of our process to determine if a finding had been corrected, we noted that the payroll approval issue last year was that they were unable to provide time sheets and other reports. The Transportation Department was using the Compass system, a different system than the KRONOS system that the rest of the District was using. We did note that they discontinued the use of Compass and they installed the KRONOS system. They told us this would occur on February 8, 2013. For one of our four selections that we made after February 8, 2013, the Transportation Department was unable to provide a ZTIM report for the entire pay period. We made some recommendations to ensure that all required approvals and ZTIM reports are maintained as evidence of compliance. We made some recommendations for improvement regarding time sheets for salaried employees taking leave time. We noted there was no log in or log out system. We recommended that management make changes to the existing policy to require that all employees log in and out each day. The next finding from prior year relates to the Capital Assets Inventory Control. The Office of the Chief Auditor noted this in their audit. Last year, management was going to prepare a memo to be sent to all Principals reminding them to review the Business Practice Bulletin O-100, as well as to review the training module they provided. We did note that the memo was sent; however, there were still adjustments of \$5.3 million of Capital Assets related to prior periods.”

Mr. Friedman added “The significance of our pointing this out was because of that \$5.3 million mis-statement in the current year’s financials.”

Ms. Knowles continued “The last prior year finding relates to the system needed to monitor and track Level 2 FBI Screenings. We noted that process is still in progress and they expect to have it fully implemented by February 2014”.

Mr. Sakhnovsky asked “Regarding the issue with salaried employees, do you know if KRONOS has the capability of being used for salaried employees, so they could use the same system for the purposes you’re trying to achieve?”

Mr. Reilly replied “KRONOS could be used for any type of employee.”

Mr. Eric Chisem replied “That’s more of a District concern. It’s not specific to Transportation. They are referring to District-wide salaried employees.”

There was further discussion regarding page 6 and a request was made to identify the person/department who responded to the observations.

Mr. Chisem stated “One of the benefits now is that we’ve centralized payroll into one location. Previously, payroll was performed throughout the District at each terminal. There is one function being fulfilled by all of the four processors in the centralized location. Some of the processes that we put in place, such as the ZTIM reports, are all centralized. The manager provides a copy of the report to the actual centralized payroll area, as well as our customer service, where the payroll individuals are at the terminals making sure all the paperwork is processed.”

Ms. Fertig stated “Regarding the system to Monitor FBI Screenings on page 9, this is a 2010 issue. Last year, it was going to be done by May, now it’s going to be done by February. It’s now the end of January. Is February a realistic date? Three years is a long time to get that taken care of.”

Mr. Sakhnovsky asked “Again, who is responsible for this finding?”

Mr. Reilly stated “The District Schools Police Department handles the fingerprinting process and they report to HR. Right now, it’s a combination of getting assistance from IT to decide what kind of system we can get. I agree that a decision should be made.”

Ms. Fertig stated “If it’s not completed in February, maybe someone could follow up with us and advise us of when it will be completed.”

Mr. Mayersohn stated “It says that currently the IT Department is reviewing the technological process, and that’s also scheduled to be completed by February 20th. Are both of them aligned, or is one going to come before the other?”

Mr. Jeff Moquin stated “As I’m reading this right now, I don’t think the commitment for February 2014 is to have the system in place; it’s to have reviewed the business processes by IT and make recommendations on a solution. I don’t think the actual process of procuring and implementing that solution is covered within this response. That’s the bigger issue. My limited understanding of this is that they have been asking for revenue for the purposes of obtaining new software and that continues to go into the huge pot of capital needs we have and somehow never makes it up to the top when we’re talking about roofs and data refresh for students and schools and those sorts of things.”

Mr. Mayersohn asked “How many years does an outside auditor have to point it out to the District before it goes to the top of the pot?”

Mr. Moquin replied “I think that a new information system is one solution. What needs to happen in conjunction with this is to identify if there’s an alternative way to satisfy the internal control, absent of purchasing the system.”

Mr. Sakhnovsky asked “How many years will that take? Next year, it sounds like we’ll see the same thing. Do you think it can be done this year?”

Mr. Moquin stated “Yes.”

Mr. Duane Wolter stated “I think each one of these responses should have a completion date. On the second one, it states it will be completed in 60 days, but it doesn’t state the actual date. I am requesting that we tighten up the responses a little. On a couple of responses, it’s very clear that the responder concurs or agrees. On others, though it’s implied, there is no statement that shows whether they agree or concur, etc.”

Mr. Sakhnovsky asked “Can we get that language cleaned up in this report?”

Mr. Reilly replied “Yes. These changes will be forwarded to McGladrey, so they can revise the report.”

A motion was made to transmit with revisions. Motion carried.

State of Florida Auditor General – Florida Education Finance Program (FEFP) Full-Time Equivalent (FTE) Students for the Fiscal Year Ended June 30, 2012

Mr. Reilly stated “This report was received at the end of November and was performed by the State of Florida Auditor General. It’s a review of the funding that the District receives for education, called the Florida Education Finance Program (FEFP). Most of the FTE audit findings in the report relate to teacher and reporting errors or records that were not properly prepared or missing for students, mainly in ESOL. They also reported on Transportation. The State Auditors do a report and then the Florida Department of Education determines the dollar value of the penalty. This report also includes Charter Schools. Right now, the Executive Summary states that the penalty will be approximately \$1.7 million. For the District, it’s about \$200,000 that relates to teacher certification and student related issues. The remaining \$1.5 million is related to Charter School penalties that mainly relate to a situation where the Charter Schools were not complying with 900 hours of teaching contact time per year, which averages to 5 hours per day for 180 days. They were basically stating that they were not meeting the compliance of the contact time for the students. There are three Charter Schools involved. I believe all three are planning to appeal. The process is that they won’t appeal until the Department of Education determines the penalty. After that, there are 60 days to request an appeal. There was a big improvement in transportation. There were a couple of issues regarding the number of days students were counted for the program they were in; for example, if the program was 15 days, but they reported 90 days ridership. They have a unique method of determining the penalty. We don’t know that amount, but we believe it’s less than \$30,000.”

Mr. Wolter asked “Is it realistic for those Charter Schools to make restitution, based on size issues, etc.?”

Mr. Reilly replied “We’ve spoken to Maverick Charter School. They feel that they can appeal the finding. We’ll see.”

Mr. Moses Barnes stated “As I read the report, I noticed some similarities between the District and the Charter Schools, such as teachers out of field and certification. The other area that I saw was when the Superintendent asks for a response from Charter Schools, they said that they were in compliance and that their Board approved it. I find it strange that the District would have a policy in place that would allow the Charter Schools to have their own governing Board to approve who is in field or out of field. Sometimes members of the Charter School Board are teachers. I feel the District needs to have something in place to deal with Charter Schools, just as we do with District schools.”

Mr. Reilly stated “I think Jody Perry’s office does that. I don’t know what happened in this situation. Maybe the Charter School felt that the contact time was allowable. When reading the Auditor General’s Report, they (Auditor General) felt that off campus and community type of work did not equate to educational time. We’ll see what the verdict is on this.”

Mr. Sakhnovsky asked “Can you explain how 22 students can be lost in the system like that? Secondly, ongoing education will be provided? I’m curious as to what that means.”

Mr. Chisem stated “Some of the challenges when you do the State reporting involve matching of the information. We pull the information from TERMS and sometimes it has to do with coding. Most times we can look at those items to see what happened and try to obtain that information. If

we didn't provide all the supporting documentation to the State initially, that becomes the challenge."

Mr. Sakhnovsky asked "Wouldn't it be better not to ask for reimbursement in advance?"

Mr. Chisem replied "We don't know. Remember, we're reporting ridership. It's actually coded at the school level. If you have an eligible rider, it starts at the school, the way they are registered and the demographic information. Sometimes it's not just Transportation; it's a collective effort that starts at the school level where the child is registered. It goes into the system. Eligibility is determined by the way the information is entered into TERMS. We take that information, based on ridership, and we upload that information. We provide it to the State. Sometimes when things come back, we can't verify that. We don't know it on the front end."

Mr. Sakhnovsky asked "How can we have a system that doesn't stop the processing of a student when needed information has not been input?"

Mr. Chisem stated "It's not that simple. An example may be if I have a rider who's in the magnet program and he registers as a magnet student and later, something changes and we don't have that information or he was coded incorrectly. It has to be looked at on an individual basis. When you look at that small number, and I don't mean to belittle that. It's big enough that we still can correct it. In the last ten years, this is the smallest number that we've seen, because we've improved our efforts, to ensure that the information and data that we are providing is very accurate. We have some new resources. In Palm Beach County, their individual, who is part of their FEFP team, is a part of our work force now. We brought him in as a routing manager, now he is a data analyst. As we move forward and we improve, they are a part of that improvement process."

Mr. Sakhnovsky stated "It states that Transportation will continue to monitor through the use of data review. Is it done monthly, daily, etc.?"

Mr. Chisem stated "We have incorporated a process called Roundtable. It's very similar to our Workers' Comp Program where prior to actually authorizing certain things, there's an evaluation process. If information comes in that doesn't look very clean, there's a group, a panel that gets together with that Department to ensure we have all the pertinent information that we're authorizing back to the school on the front end. It's a safeguard that we've put in place to continue to improve."

Ms. Greenberg stated "On the issue of Charter Schools, they can pretty much do what they want, unfortunately. I'm looking at page 95, which exemplifies who they are. The Principal of Ben Gamla states 'we do not accept this finding'. It was a very cavalier response."

Mr. Sakhnovsky asked "So, the liability still rests with the District and not the individual schools?"

Mr. Reilly replied "Right now, when the FDOE assesses the penalty, they take the funds from the District. For many years, the Charter Schools were not a part of the FTE Audit. In the last couple of years, they have been included, so now, they're being audited."

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “There were ten schools audited, which included a review of internal funds, payroll and after-school care. Five of the schools complied with policies and procedures. There were five schools that had some findings related to missing receipting documentation, breakdown of internal control over cash deposits and cash receipting. One school had missing funds and some issues with fundraising and a negative fund balance was found at one school.”

Ms. Greenberg asked “On page 47, regarding the club sponsor at Fort Lauderdale High, the audit states that the club sponsor received a supplement in the amount of \$711. I’m looking at page 49, the auditor’s recommendation that they select a new sponsor, which sounded good to me. Then on page 56, this vague response stated, ‘appropriate consequences were issued to the sponsor, as per progressive discipline plan’, instead of removing the sponsor. To me, this would be a cause to remove that sponsor and get a sponsor who doesn’t need a progressive discipline plan, when you’re dealing with money issues. Why was this school permitted to keep this sponsor after what happened?”

Dr. Blackburn replied “I will follow up on that.”

Ms. Greenberg asked “On page 69, it states that the Bookkeeper was placed on administrative re-assignment pending outcome of a personnel investigation. Is there an update available on the outcome of that investigation?”

Dr. Blackburn replied “No. There is no update. That was in October. She was removed and there is an investigation underway. I do not have the results of that investigation.”

Ms. Greenberg asked “Can we get an update when the results of the investigation are received?”

Dr. Blackburn said “Yes.”

Ms. Greenberg stated “The response on page 88 is a good response from the Principal. The job that the auditors do is reflected in how few findings we have, compared to what we used to have.”

Mr. Mayersohn asked “Dr. Blackburn, when Principals have these audits, the Principals respond. Are these discussed in any of the Principals’ meetings? Do they share that? Some of these things seem repetitive from one school to the next.”

Dr. Blackburn replied “When we find systemic patterns, we do share best practices.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This is an audit of 26 locations. There were 25 schools that complied with Business Practice Bulletin O-100 and one school that had an exception. The 26 schools’ historical value was approximately \$37 million. For the entire report, only 47 items valued at approximately \$85,000 were unlocated.”

Ms. Greenburg stated “On page 8, I wouldn’t be happy getting a report like this for McNicol Middle. I’m looking at the track record. I would like to see nothing next time.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Audit of the Family Counseling Behavioral Health Program Grant for the Period Ended September 30, 2013

Mr. Reilly stated “This is a grant that we audit per the grant requirements each year. In general, the grant provides free family and group counseling for students. Basically, we review the expenditures and the matching funds. For this audit, the District approved a \$1.2 million match and the reported expenditures are \$1.25 million that we show. It’s listed in the schedule. There were expenditures over the approved amount. We met with management and recommended that if there is evidence that expenditures may exceed their budget, they need to follow through with the Budget Department and request additional budget funds. The excess expenditures were caused by salary increases that were not incorporated in the original budget.”

Mr. Sakhnovsky asked “Who is management?”

Mr. Reilly replied “The program is under Student Support Services.”

Ms. Ann Conway stated “This is basically a financial audit for use by Broward County, who provides the grant money. Mostly, they are interested in expenditures and whether the monies were appropriately spent.”

Ms. Greenburg asked “On page 3, what happens when they spend more than they are supposed to spend, \$49,800? Where do they get that money?”

Ms. Conway stated “It is transferred from the General Fund.”

Ms. Greenburg asked “Is this common practice that they overspend?”

Ms. Conway replied “For this grant, the expenditures are almost entirely for labor. Any budget overage was caused by pay raises that happened during the year. The salaried employees have to be paid, so the deficit is covered by the General Fund.”

Ms. Greenburg stated “That gives them the incentive to raise salaries and overspend, because that will come from the General Fund. It doesn’t make any sense to me.”

Ms. Conway replied “The counselors are on the teachers’ salary schedule. When all teachers receive a pay raise, they receive one also.”

Mr. Sakhnovsky asked “There were no outside vendors receiving any of this grant money?”

Dr. Laurel Thompson stated “None. The funding is from Broward County and Broward County Schools provide matching funds. When our Family Counseling staff, who are instructional employees, received a pay increase this year, this increase was not considered in the budget that

we had. The salary increase was something we had to pay that was not planned. We know now for future years, we have to build in a cushion in case we have some increases.”

Mr. Mayersohn asked “Have you gone back to Broward County to tell them that we had an increase in salaries? Can you tell them you will be able to serve a lesser number of students, due to the salary increases?”

Dr. Thompson replied “It won’t happen like that. Ms. Rosemary Russo, the Program Coordinator has looked at this very closely. Most of the Family Counselors have been with the District for many years, so they’re in a higher scale of pay. If there is a raise, we have to pay more. We have quite a few staff retiring, which means we’ll have a younger staff who haven’t been in the system so long, so their payment rate will be less. Broward County is not concerned so much about the salaries; they’re concerned about the units of service. A counselor can only provide ‘x’ number of units of service. This year, we received an increase from the County of \$48,000, because we had a need and a waiting list. They realized that we needed service more and they gave us additional dollars. We’re not billing for salaries; we’re only billing for units of service.”

A motion was made to transmit. Motion carried.

Matrix of Charter Schools for the Fiscal Year Ended June 30, 2013 Requiring Financial Corrective Action Plans

Mr. Reilly stated “We review all annual financial reports for Charter Schools. There are certain Florida Administrative Code and Florida Statute requirements that require us to assist the schools that are considered to be under a deteriorating financial condition. There were five schools that we met with and assisted with a corrective action plan to try to improve their financial conditions. There were two schools, Broward Charter School of Technology and Florida Intercultural Academy that had situations where their actual enrollment was below 70% of their projected enrollment. The projected enrollment is what their budget is based on; therefore, their budget is not sufficient enough to operate. That is considered a deteriorating condition. They have to prepare a report to the State to detail how they will take care of that situation. We also had one school that the State asked us to review. Technically, they didn’t fall under any of the criteria of the deteriorating conditions; however, the Florida Department of Education felt that they had excessive amounts of loans. They had loans from their management company and from other related parties. There was one other loan that they felt could lead to a deteriorating condition. We reviewed that and met with them. They have reduced several of their loans and refinanced a couple. We are reporting to the State on that issue. We had two schools that were not in compliance with monthly reporting and annual reporting of their financial information. That is definitely a red flag, because you don’t know their financial position. We met with and are monitoring them. This is a second year school. There are five schools that came under concern per Statutes and Florida Administrative Code that we needed to meet with and review their financial conditions.”

Mr. Andrew Medvin stated “I’m surprised there were so few. Is each Charter School required to have an independent audit performed?”

Mr. Reilly stated “Yes.”

Mr. Medvin asked “Did they all comply with that?”

Mr. Reilly stated “Yes, except for two schools that did not submit them on a timely basis. They are all due on September 30th each year. The Municipalities of Pembroke Pines and Coral Springs are not due until December 31st.”

Mr. Medvin asked “Is this financial information incorporated into the District’s financial statements?”

Mr. Reilly replied “Yes.”

Mr. Medvin asked “Are these schools segregated on the report?”

Mr. Friedman stated “The District provides a combining schedule which shows each school separately included in the CAFR.”

Mr. Sakhnovsky asked “Regarding page 5 for Red Shoe Charter, the deficit fund balance equals the expenditures exceeding revenues. That makes sense. Why would that not be true when there are deficits? What do the audits show when it’s not equivalent?”

Mr. Reilly stated “That used to be a deteriorating financial condition if you had a negative fund balance, but the rules were changed approximately three years ago by the State of Florida. That’s why we used to have 15-20 schools that had deficit fund balances. That is no longer considered a deteriorating financial condition for a couple of reasons. I don’t agree, personally.”

Mr. Sakhnovsky asked “Regarding Ivy Schools, which have been in the news, will that show up next year?”

Mr. Reilly stated “I should retract my earlier statement when I said every school turned in their financials. I have yet to see a Charter School that was terminated by the District turn in an annual audit. We will probably never receive one for Ivy, because they disbanded and they have no incentive to submit it.”

Mr. Sakhnovsky asked “Is Ivy Academy the only one in that category?”

Mr. Reilly replied “No. There were a couple this year. We requested the annual audits.”

Ms. Greenbarg asked “Which schools were they?”

Mr. Reilly replied “KCW Charter School, Next Generation Charter, which is also related to the person who ran Ivy Academy. There were a total of eight Charters that closed.”

Mr. Sakhnovsky asked “Can we get a list of them at the next meeting?”

Mr. Reilly stated “Yes.”

Mr. Wolter asked “How many Charter Schools are currently operating in Broward County?”

Mr. Reilly stated “There are approximately 95 Charter Schools.”

Mr. Sakhnovsky asked why the Maverick Charter Schools were not on the State’s list of school grades.

Mr. Moquin replied “I’ll have to check on that.”

Other Matters

Mr. Sakhnovsky submitted a document to be added to the minutes from the Office of General Counsel regarding the responsibilities of the Facilities Task Force (see attached).

Ms. Greenbarg told the Committee that she would be resigning from the Audit Committee due to her relocating to North Florida. She stated this would be her last meeting. The Audit Committee thanked her for her many years of dedicated service.

Meeting adjourned at 2:30 p.m.

Attachments

CMS

CONSTRUCTION MANAGEMENT SERVICES, INC. DA

10 Fairway Drive • Suite 301 • Deerfield Beach, Florida 33441 • 954-481-1611 • FAX 954-427-3142

December 29, 2010

CMS # 1944 V-1

Mr. Dave A. Archer
Project Manager III
The School Board of Broward County
1700 SW 14th Court
Ft. Lauderdale, FL 33312

11 JAN - 3 PM 12:34
FACILITIES &
CONSTRUCTION

RE: Norcrest Elementary School
Pompano Beach, Florida
Project # 0561-24-01 P000105
Financial Close-out Review #2

Dear Mr. Archer:

After review of Stiles Construction's Financial Close-out Documents received by CMS on November 18, 2010 and updated by email on November 30, 2010, for the above-referenced project, CMS has the following comments:

1. We have attached an Excel worksheet, dated December 29, 2010, with CMS's comments for each line item. The Contractor should review and respond to each comment in the column provided (see attached Excel worksheet).
2. Please verify that the Contract has been modified and approved by the SBBC for the following, as not all of the documents we have been provided have signatures and / or a letter of approval from the SBBC:

A.	GMP Amendment – Project-wide Modifications	\$806,546.04
B.	CO #1 – Fire Pump / Fire Pump Room	\$82,655.00
C.	CO #2 – Generator & Generator Building #18	\$104,094.76
D.	CO #6 – Pedestrian Walkway	\$93,852.55
E.	CUD 1 – Playground Equipment changes	\$72,785.13
F.	CUD 2 – Additional Water Line	\$120,031.31
G.	CUD 3 – Additional Demolition	\$53,176.00

3. We have attached the project Subcontract Change Order Log and, where noted, there are many Subcontract Change Orders that we assume were issued without CUD's or CO's issued from SBBC for this added / changed work. I am asking the CM to provide documentation to verify that this work was undertaken with the SBBC's knowledge and approval. Please advise as to how we should proceed regarding the review and approval of these Subcontract Change Orders / Additions to the work.

4. We have attached Page 1 of 31 pages of which Stiles refers to as their "Job Cost Audit". We do not believe this will suffice to serve as proper back up. Please advise. At this time and at this level of review CMS has not verified every invoice listed within this 31-page document, as this would take an inordinate amount of time. However, within our comments we have requested that better documentation be provided in some cases (see CMS's Comments column in the attached Excel worksheet)

5. Within the items being charged as "Job Cost", CMS usually considers them to be part of the "General Conditions Fee" (\$780,637.00) and not additional / separate line items of cost. Please advise on the following:

A.	Surveying	\$24,180.00
B.	Street Cleaning	\$21,044.00
C.	Temporary Fencing	\$49,835.65
D.	Temporary Walkway	\$83,299.20
E.	Final Cleaning	\$25,947.37

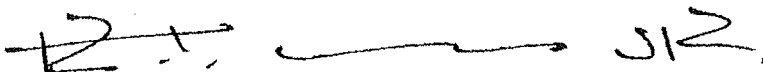
6. Items such as Site Labor - \$106,083.59, Misc. Machine Time - \$27,880.87 and Rough Carpentry - \$10,370.82 were self-performed by temporary labor and material purchases by the CM and not subcontracted. CMS has requested that the CM submit scanned invoices showing the specific construction items that were performed and what the materials were used for (see attached Excel worksheet). Were these cost items approved by the SBBC to be self-performed? Was a system of accounting set up to control the cost?

7. Direct Owner Purchase amount for this project is \$2,418,017.60 (see attached Excel worksheet). Has this amount been verified by the SBBC Accounting Department?

8. When comments are responded to and resolved between the SBBC, Stiles, and CMS, then a CO for DOP and Savings can be issued, and the Final Contract Amount can be established.

Please contact me should you require further information regarding this matter.

Respectfully,



Russell T. Morris Jr.
Project Manager / Estimator

/RTM

Attachment

CC: Lori Douvris, PM – Stiles Construction

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OFFICE OF THE SCHOOL BOARD ATTORNEY

K.C. WRIGHT ADMINISTRATION BUILDING
600 SOUTHEAST THIRD AVENUE, 11TH FLOOR
FORT LAUDERDALE, FLORIDA 33301
Telephone: (754) 321-2050
Facsimile: (754) 321-2705

EDWARD J. MARKO
SCHOOL BOARD ATTORNEY

MEMORANDUM

TO: Thomas Lindner, Acting Deputy Superintendent – Facilities and Construction Management

FROM: Edward J. Marko and Robert Paul Vignola

DATE: March 5, 2010

SUBJECT: *Facilities Task Force Members – Doing Business with SBBC*

This memorandum is prepared to respond to ethical inquiries that have been forwarded to this Office by Mr. Nick Sakhnovsky on behalf of the Facilities Task Force. A copy of his e-mail message is attached for your reference.

Question 1: Whether members of the Facilities Task Force could solicit business either from the school district or from a particular school within the school district.

Answer: No. Unless a statutory exemption applies, a member of the Facilities Task Force may not solicit business of any kind from either the school district or from any particular school.

Members of the Facilities Task Force are “public officers” as defined by Section 112.313(1), Florida Statutes. Section 112.313(3), Florida Statutes, prohibits public officers, when acting in a private capacity, from renting, leasing or selling any realty, goods or services to the public officer’s own agency. This prohibition applies to both those transactions that might be limited to a single district school or facility as well as transactions that are district-wide. Furthermore, this prohibition applies to any and all transactions and is not limited in scope to only those matters that would appear before the Facilities Task Force.

Members of the Facilities Task Force are cautioned that Section 112.313(7), Florida Statutes, prohibits them from having or holding any employment or contractual relationship with any business entity or any agency which is doing business with the school district. In addition, members may not have or hold any employment or contractual relationship that will create a continuing or frequently recurring conflict between their private interests and the performance of their public duties or that would impede the full and faithful discharge of their public duties.

The following is a list of the limited exemptions under which a member of the Facilities Task Force is permitted to conduct business with the school district:

A. Waiver by The School Board: The School Board may waive the requirements of Section 112.313(3) and (7) for a member of the Facilities Task Force after a full disclosure of the transaction or relationship and an affirmative vote by two-thirds of The School Board.

B. Bid Awarded to the Lowest Bidder: A member of the Facilities Task Force may be awarded business by The School Board under a system of sealed, competitive bidding to the lowest or best bidder if:

- The member of the Facilities Task Force or the member's spouse or child has in no way participated in the determination of the bid specifications or the determination of the lowest or best bidder;
- The member of the Facilities Task Force or the member's spouse or child has in no way used or attempted to use the official's influence to persuade The School Board or any school district personnel to enter such a contract other than by mere submission of the bid; and
- The member of the Facilities Task Force, prior to or at the time of the submission of the bid, has filed a statement with the Broward County Supervisor of Elections disclosing the member's interest, or the interest of the member's spouse or child, and the nature of the intended business.

C. Employed by 501(c) Entity Doing Business with The School Board: A member of the Facilities Task Force may be employed by a tax-exempt Section 501(c) organization that contracts with or has a business relationship with The School Board if:

- The member's employment is not directly or indirectly compensated as a result of the contract or business relationship with The School Board;
- The member has in no way participated in The School Board's decision to contract or enter into the business relationship with the member's Section 501(c) employer, whether by participating in a discussion at a school district meeting, by communicating with officers or employees of the school district, or otherwise; and
- The member abstains from voting on any matter which may come before the Facilities Task Force involving the member's Section 501(c) employer, public states to the Facilities Task Force the nature of the member's interest in the matter from which the member is abstaining, and files a written Memorandum of Voting Conflict.

D. Emergency Purchase for Health, Safety or Welfare: The employer of a member of the Facilities Task Force may be part of an emergency purchase or contract that The School Board must make in order to protect the health, safety or welfare of the citizens of the school district. District staff should confirm with the School Board Attorney that circumstances exist that would permit such an emergency purchase.

E. Sole Source of Supply: A transaction with The School Board is permitted if the business entity with whom a member of the Facilities Task Force is involved is the only source of supply within Broward County and there is full disclosure to The School Board by the

member of his or her interest in the business entity prior to the purchase, rental, sale, leasing or other business being transacted.

F. Annual Transactions not Exceeding \$500: The business entity with whom a member of the Facilities Task Force is involved may have a total amount of transactions with The School Board that do not exceed \$500 per calendar year.

Question 2: Can a member of the Facilities Task Force solicit business from PTAs or after care companies?

Answer: Yes. PTAs are organizations that are separate from the school district. As such, PTAs are outside of the prohibitions of Section 112.313(3). Similarly, Section 112.313(3) would not preclude a member of the Facilities Task Force from soliciting business with a legal entity other than the school district.


Please forward this response to the Facilities Task Force. If any Facilities Task Force Member has a question about a specific situation or whether an exemption is applicable, please encourage that Member to call our Office for further guidance. If you need any further assistance, please do not hesitate to contact me.

EJM: mi
Enclosure

c: Nick Sakhnovsky, Chair – Facilities Task Force

S:/v/allwork-use/sbbc/memos/internal/0910year/100305facilities

From:  NICK SAK <nicksak@bellsouth.net>

Wed, Dec 09, 2009 8:04:04 AM 

Subject: Questions from FTF

To:  Robert P. Vignola

Attachments:  Attach0.html

2K

Hi Bob --

Happy holidays!

A couple of questions came up at the last Facilities Task Force meeting which I was wondering if you can address. While most of us attended the last Sunshine Law presentation at Piper last year, some new members haven't.

1. If a FTF member is interested in soliciting business before the school board or at an individual school, is their FTF membership necessary to disclose to the board/school; or is their interest in doing business necessary to disclose to the FTF?
2. If answer to no. 1 is yes, would it apply only to matters being voted on by FTF, and would it apply to any site visits (say re IAQ or Tools for Schools site visits), and would it apply to any ancillary school activities, such as soliciting work from PTAs or after care companies?

I am not asking this on my behalf in any way; I have members who have asked me to relay these questions.

Thanks.

Nick Sakhnovsky
FTF chair