

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

MINUTES OF AUDIT COMMITTEE MEETING

June 18, 2015

Mr. Duane Wolter, Vice Chair, called the Audit Committee meeting to order at 12:40 p.m. at the Kathleen C. Wright Building in the 1<sup>st</sup> Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Brendan Aloysius Barry, Esq.  
Ms. Earlyn Barton-Oden  
Ms. Mary Fertig  
Mr. John Herbst  
Dr. Nathalie Lynch-Walsh  
Dr. Henry Mack (attended by phone)  
Mr. Robert Mayersohn  
Mr. Andrew Medvin  
Mr. Duane Wolter

Staff Present:

Mr. Robert W. Runcie, Superintendent of Schools  
Dr. Desmond Blackburn, Chief School Performance & Accountability Officer  
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)  
Mr. Mark Magli, Manager, Property & Inventory Control, OCA  
Mr. Joe Wright, Auditor III, Facility Audits, OCA  
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present:

Ms. Chantelle Knowles, McGladrey, LLP

## **Old Business**

A motion was made to approve the minutes from the April 30, 2015 Audit Committee meeting with one change on page 8, the amount should be changed to read \$115,000, not \$150,000.

Motion carried.

## **Regular Agenda Items**

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

Mr. Patrick Reilly stated “This report contains internal fund audits of forty-seven schools. Forty-six schools complied with the School Board policies and procedures for internal funds. There was one school that had an audit finding related to proper control of pre-numbered forms, receipting documents, as required by School Board Policy 6301 Collection of Monies. In addition, we had some non-compliance with Standard Practice Bulletin I-302, which deals with cash collections, which requires giving individuals receipts when money is deposited in amounts greater than \$15.00. Amounts received under \$15.00 can be deposited using a Monies Collection Envelope.

Mr. Robert Mayersohn asked “We had 46 schools with no exceptions and one school with exceptions. We don’t see any explanation of how the exceptions happened. I think it might be helpful to give a brief explanation of why this school has been identified as having an exception.”

Mr. Duane Wolter asked “Are you suggesting that Patrick’s report cover that or the response?”

Mr. Mayersohn replied “The response.”

Dr. Nathalie Lynch-Walsh agreed.

Mr. Brendan Barry stated “These audit reports are very well done. Month after month, these reports are fantastic.”

Mr. Reilly stated “In the past, there was a lot written about why the exceptions happened, which turned into excuses. The Audit Committee at the time stated they did not want to hear excuses. They wanted to know what would be done to fix the problem. Obviously, staff should be trained and should know what they need to do.”

Ms. Mary Fertig stated “On page 115, it stated the end of year field trip collections were collected by a teacher and deposited, so there is an explanation that they didn’t use receipts for those collections. It does state the problem.”

Dr. Henry Mack stated “Every time we ask the Audit Department to do something, this requires time and money, which takes time away from the approved Audit Plan.”

Dr. Desmond Blackburn stated “I concur with Mr. Reilly. From the perspective of the Principals, I don’t really allow for much introduction of ‘why’ because Standard Practice Bulletins are clearly spelled out, training is provided for every staff member, and as you see overwhelmingly, staff can get it right. When a concern is identified, my position is to move into corrective action.”

Dr. Lynch-Walsh stated “The BCP-40 Receipt Books were not used for this collection. That tells you what happened, but it really doesn’t tell you why. What kind of training was there? Does the school have policies and procedures that were clearly communicated to each of the teachers and initialed by the teachers to confirm that they understood the rules? Perhaps at this school, this was not communicated clearly. If you have something from the teacher that says ‘I understand these policies’, then they can go back to the teacher and say ‘you understood the policies and procedures, but didn’t do what you were supposed to do’. You need something signed by the teachers so you can verify that the procedures were communicated.”

Mr. Wolter stated “I think, as a Committee, we have to rely on the professionalism of Dr. Blackburn and the schools. I think he should make the decision on the response and if we don’t accept it or want further explanation, we can ask. I would prefer not to change any policies, but the Committee is always welcome to ask questions on any of the issues.”

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “This report contains twenty-five Property and Inventory reports, twenty-one schools and four departments. Twenty-one locations complied with the policies and procedures in Business Practice Bulletin O-100, which deals with Property and Inventory control. There were four locations that had some unaccounted for items that were missing that are reported in this report. For the twenty-five locations, there were 28,000 items reviewed with a historical cost value of \$45 million. From all locations, a total of 142 items could not be accounted for with a value of approximately \$208,000. Some of the schools have issues pertaining to items valued at less than \$1,000. Business Practice Bulletin O-100 has procedures for handling those items. The requirements that we follow from the Florida Administrative Code and Florida Statutes state that all items valued at \$1,000 or greater must be included on the fixed asset schedule. With the increase in the value of IT equipment, the District requires that items less than \$1,000 be recorded on a subsidiary ledger. We are also looking at those items. I’ve received questions from the community asking why we have to account for items under \$1,000. The District wanted to be more aggressive on accounting for those IT items.”

Dr. Lynch-Walsh stated “A comment was made earlier about simplifying the process for the schools in terms of forms that need to be completed when items are missing. When something is transferred to B-Stock, is this done on paper?”

Mr. Reilly stated “I’m not in favor of reducing or changing the paperwork. You need to have supporting documentation to support the transactions. The form is standardized. Even the State Auditor General has commented in the past on the disposal of salvage/surplus equipment. There needs to be a record to show how assets are disposed.”

Mr. Mark Magli replied “We did automate the forms and have included them on the database since 2001. We can’t control the accuracy of reporting. If the database is reconciled and the accuracy is there, it’s just a matter of clicking a button. We have an obligation to have final disposition records. The Auditor General has cited us for that in the past. They are here now to evaluate the District. We should do well in that area, since the District is keeping those records.

People do put extra items into these boxes or remove items without properly recording because these items are not being monitored. They are considered to be junk, but there's a value in everything. We're doing our best to restrict and control that area and assist them in organizing and reporting accurately."

Mr. Wolter stated "This has been an important topic for us for decades. These reports used to come to us with a 90% exception rate. Through the combined efforts of administration and the Audit Department, you can see the results. Yes, there should be zero exceptions. Anytime anyone has had ideas to make things better, or modify an approach to increase efficiency, these have been addressed. We had a sub-committee involved a few years ago. Maybe providing that history to the new members would be helpful."

Dr. Lynch-Walsh asked "Does this get written off? Most of it looks fully depreciated."

Mr. Magli stated "In accordance with Policy, we leave the items on the record listed as missing for two years, in the hopes that items will be recovered. At that point, it is purged with Board approval."

A motion was made to transmit. Motion carried.

### **Internal Audit Report – Summary of Audit Activities for the 2014-2015 Fiscal Year and Proposed Audit Plan for the 2015-2016 Fiscal Year for the Office of the Chief Auditor**

Mr. Reilly began "Each year, we are required to prepare an Audit Plan. We also add a summary of audit activities for the year being completed. We provide a breakdown of all reports, services and activities that our department performed. We performed several facility and operational audits this year, one that pertained to the P-Card purchases, which led us to review the specific area of carpet purchases and the need to strengthen controls over how carpet is procured and installed, and how to eliminate the excess quantities that we noted in some of our samples. Another report we performed was the Construction Services Minor Projects (CSMP). We made recommendations to strengthen internal controls for contract compliance and checked insurance requirements. We looked at a roofing project at Hallandale High School, where we identified liquidated damages that our General Counsel is reviewing. We also ran across an item that was brought to our attention by one of our employees regarding a project that was completed in 2007. The District should have been reimbursed for the amount of \$325,100; however, the District never billed the municipality for the amount. We followed up and worked with Capital Projects and the money was sent to us. We performed the majority of all internal funds and property audits. We have a good system now; the findings are minimal. We performed some special reviews, such as the ROCS program and made recommendations to strengthen controls on that program, we reviewed payroll, assisted with bulletin and policy revisions, worked with external auditors, etc. The review of Charter schools has intensified; I think there will be more than 100 Charter schools during the 2015-2016 school year. Our proposed Audit Plan shows the areas that we would like to review, based on our in-house risk assessment. We will be performing current status reports, in accordance with School Board policies. Our Audit Plan is a living document; there are certain reviews that we are requested to perform during the year that were not on the Audit Plan."

Mr. Wolter stated “On page 17, it states you have two open positions, but also have two newly approved positions. I’d like to thank Mr. Runcie and the Board for authorizing those positions.”

Mr. Barry stated “I think you’ve done a wonderful job on the Audit Plan.”

Mr. John Herbst stated “You and your team have done a great job this year. It’s always a pleasure to come here and see the professionalism of the work that you do. I’d like to also thank the Superintendent for approving the new audit positions. There’s always more work to be done and never enough staff to do it. Everything we can do to provide the appropriate resources benefits the whole District.”

Dr. Lynch-Walsh stated “As Chair of the Facilities Task Force, the Task Force is a huge fan of the Chief Auditor and appreciates all the work performed by you and your staff. I have been personally impressed by all the reports. On page 1, it states ‘compliance with policies, plans, procedures, laws and regulations’ in terms of your responsibilities. If a department doesn’t have procedures, does the Office of the Chief Auditor suggest that they get procedures?”

Mr. Reilly stated “Yes, that is usually the first thing we look for when we perform an audit.”

Dr. Lynch-Walsh asked “Under Operational Audits, it states ‘Installation of Video Surveillance Equipment’. Does that mean your staff is looking at all the cameras?”

Mr. Reilly stated “We are currently reviewing that vendor contract and the District department that handles that contract.”

Dr. Lynch-Walsh asked “Would that interface with the Needs Assessment?”

Mr. Reilly replied “Yes, there are several projects that are in the DEFP having to do with the replacement of surveillance systems at the schools. It is paid for from capital funds and administered through this contract, which includes new systems, repair of existing systems, replacement of old, damaged equipment.”

Dr. Lynch-Walsh asked “On #8 under the same section, ‘procure an external audit firm to perform a current status review of the ethics related findings from the 2011 Grand Jury report’. When was the last one performed?”

Mr. Reilly stated “We performed that in October 2012, so this will be the three year current status. It was requested by the Grand Jury that we have an external firm review that, and we hired an external firm three years ago. We brought it to the Audit Committee. The Grand Jury recommended that we perform a current status report every three years on ethics compliance.”

Dr. Lynch-Walsh asked “Do the employees and members of advisory committees have to have this training annually?”

Mr. Reilly stated “That would be covered in Policy 1.7.”

Ms. Mary Fertig stated “Congratulations on another successful year.

Mr. Robert Mayersohn asked “On page 17, it states that these positions will be filled in the 2015-16 fiscal year. Do you know what part of the year?”

Mr. Reilly stated “We will advertise the positions in July.”

Mr. Andrew Medvin stated “Hopefully the new staff will be able to monitor the Charter Schools more closely.”

Ms. Barton-Oden stated “I think the County made an excellent choice with McGladrey. They do excellent work.”

Mr. Wolter added “I was very happy to see that the IT audit has been moved to this year’s proposed audits. One that is not on the proposed plan this year that I would like to see is an audit of BECON. This is just my opinion; don’t change the plan.”

Discussion followed.

Dr. Mack stated he would like the Committee members to attend the Annual Report that will be presented to the Board in August.

A motion was made to transmit. Motion carried.

## **OTHER ACTIVITIES**

### **Ethics Training**

Mr. Reilly stated “The ethics training is related to Policy 1.7 School Board Established Advisory Committees and Appointments of a School Board Member’s Representative to a Committee, which was updated in April 2014. There were several revisions, such as on-line ethics training, Sunshine Law, Public Records Law and Robert’s Rules of Orders. There are a few people who need that training. The change for this year will be a refresher 5 questions. If you take that, you will not have to re-take the training. I’ll send a notification to the members who need to take the training.

### **Elections**

Mr. Wolter announced his resignation after 11 years, as he will be relocating. “We have to elect a Chair and a Vice-Chair. We do nominations. You can accept or decline.”

Ms. Mary Fertig was nominated for Chair and Dr. Henry Mack was nominated as Vice-Chair. Both accepted the positions and the Committee voted unanimously to elect both nominees.

### **Audit Committee Dates 2015-2016**

The tentative Audit Committee dates were discussed and approved by the Committee.

Meeting adjourned at 1:30 p.m.