

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

January 22, 2015

Mr. John Herbst called the Audit Committee meeting to order at 12:30 p.m. at the Kathleen C. Wright Building in the 1st Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Moses Barnes
Mr. Brendan Aloysius Barry, Esq.
Dr. Robin Behrman
Ms. Susan Grant
Mr. John Herbst
Mr. Gary Hines
Dr. Henry Mack (attended by phone)
Mr. Robert Mayersohn
Mr. Andrew Medvin

Staff Present:

Mr. Robert W. Runcie, Superintendent of Schools
Mr. Jeffrey Moquin, Chief of Staff
Mr. Paul Carland, General Counsel, Office of the General Counsel
Dr. Desmond Blackburn, Chief School Performance and Accountability Officer
Mr. Scott Krutchik, Director, Accounting and Financial Reporting
Mr. William Blakley, Information & Technology
Mr. Ed Hine, Information & Technology
Mr. Joseph Zeppetella, Workers' Compensation Program Administrator
Mr. Derek Messier, Chief Facilities Officer (OFC)
Ms. Shelley Meloni, Executive Director, Facilities Design & Construction (OFC)
Mr. Anthony Williams, School District Police Chief
Mr. John Felser, CTACE
Mr. Aston A. Henry, Jr., Director, Risk Management
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Mr. Mark Magli, Manager, Property & Inventory Control, OCA
Mr. Robert Goode, Manager, Facility Audits, OCA
Mr. Gerardo Usallan, Manager, Facility Audits, 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
Mr. Shaun Davis, S. Davis & Associates
Mr. Oscar Negron, Citizen
Ms. Karen Yi, Sun Sentinel
Mr. Daniel S. Rakofsky, Esq., Daniel S. Rakofsky, P.A.
Mr. Greg Murphins, Plantation Police Department (ROCS Program)
Mr. Scot Petersen, Broward Sheriff's Office (ROCS Program)
Mr. Kenneth Autenrieb, Broward Sheriff's Office (ROCS Program)
Mr. Alfred Stabile, Hollywood Police Department (ROCS Program)
Ms. Cheri Stabile, Hollywood Police Department (ROCS Program)
Mr. Jon Cooke, Hollywood Police Department (ROCS Program)
Mr. Juan Muniz Bueno, Broward Sheriff's Office (ROCS Program)
Mr. Robert Wallace, Broward Sheriff's Office (ROCS Program)
Mr. James Darnowski, Pembroke Pines Police Department (ROCS Program)
Mr. Michael Migneault, Broward Sheriff's Office (ROCS Program)
Mr. Bryan Roussell, Hollywood Police Department (ROCS Program)

Old Business

A motion was made to approve the minutes from the November 20, 2014 Audit Committee meeting. Motion carried.

Regular Agenda Items

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

Mr. Patrick Reilly stated “There were fourteen schools reviewed in this audit. There were thirteen schools that complied with the prescribed policies and procedures for internal funds. There was one school that had one exception related to the custody and control of pre-numbered forms (BC-40P Receipt Books, Monies Collection Envelopes and Facility Rental Contracts), where documents were not maintained for audit.”

Mr. Moses Barnes asked “When the audit took place for Stephen Foster, was it under the direction of the Business Support Center?”

Mr. Reilly stated “Yes, this occurred in the summer of 2014; therefore, the Business Support Center was in place, but it was the school’s personnel who failed to maintain the records.”

Mr. Robert Mayersohn asked “On page 62, the Principal’s response states that the missing Monies Collection Envelopes, BC-40P Books and Facility Rental contracts were housed and placed on a cart this past summer, to be moved to a storage area, but were inadvertently thrown away. Is there a procedure that schools follow to ensure that this doesn’t happen?”

Mr. Reilly stated “This was unusual; in most cases they are secured and kept in the school’s vault and clearly marked and maintained by the office personnel at the school.”

Mr. Brendan Barry asked “The report states that these items were in a box on a cart. Were these records that would have been kept in one or two boxes or were they random records over a period of years? Is that explanation reasonable to you?”

Mr. Reilly stated “It was mainly the records from the 2013-14 school year. Certain receipt books could have been used in multiple years.”

Comments were made by Mr. Oscar Negron, a member of the audience; however, they were not captured on the tape recording. Mr. Negron had some concerns regarding the amount of money spent on the Cypress Bay High School Senior prom.

Mr. Reilly stated “This report includes the audit of Cypress Bay High School. We reviewed the expenditures for the Senior Prom. These funds are not taxpayer dollars; they are funds raised by the students. The amounts expended for the Senior Prom are at the discretion of the students and club sponsor. There are no School Board policies to limit the amounts that a club or organization can spend, provided there are available funds. There were no issues in this audit that rose to the level of an audit finding.”

Mr. John Herbst stated “If I understand you correctly, Mr. Reilly, there is no violation of either State law or District policy in how this was handled that you observed during the course of this audit. Is that correct?”

Mr. Reilly replied “Per School Board Policy 3320, we did issue an audit discussion item pertaining to one instance where the club sponsor failed to obtain three written quotations for a purchase related to the Prom.”

Mr. Herbst added “It sounds to me like we are addressing a policy issue, not an Audit Committee issue. My recommendation would be to discuss that with the School Board members.”

Discussion followed.

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This report contains thirty property and inventory audits; twenty-seven schools had no exceptions and complied with policies and procedures; specifically, School Board Policies and Business Practice Bulletin O-100, which details procedures for property and inventory control. Three school locations had some exceptions. Overall, for the thirty locations, of the \$33 million of inventory reviewed, a total of 92 items were not accounted for.”

Mr. Barry asked “On page 5, there is a list of 28 items. The last three do not contain serial numbers or amounts. Can you explain?”

Mr. Mark Magli replied “In a prior year audit, we had identified equipment that was on campus. We had those items at the location and we requested that the school follow up to see that those

items were properly valued and added, as necessary. On a return visit this year, those items were not available for us to physically verify, nor was there any support documentation. To accurately project or place a value on those items was not possible, because those items were in the record as a result of the last audit. That's why they are listed that way."

Mr. Barry asked "Wouldn't they have a serial or BPI number?"

Mr. Magli replied "In that case, we put the serial numbers there to clearly identify. The BPI would be attached to it when it was properly recorded in the District's records. It wasn't recorded at that point."

Mr. Barry asked "The first two numbers; is that the year that the item was purchased?"

Mr. Magli stated "Yes."

Mr. Herbst stated "You identified in a prior audit that these items were not on the inventory list. When you came back to look at them again this time, you were not able to find them and they were still not on the list, so they were missing. Is that correct?"

Mr. Magli replied "Essentially, yes."

Mr. Gary Hines asked "Have there been audit exceptions at this school in the past (Attucks)?"

Mr. Magli replied "There have been in the past, but not in the last audit."

Mr. Hines asked "In your opinion, is this something that's continuing or have we changed leadership there?"

Mr. Magli replied "Dr. Blackburn would need to address that question."

Mr. Barry stated "The audit is spectacular; it's a thorough analysis of what's out there and what's missing. What happens after this?"

Mr. Robert Runcie stated "That is absolutely correct. The audit is well done; it's thorough. We work with the Audit Department to go back to the schools and work with the administrators to identify these items. Regarding your earlier point, you asked if the first two digits represent the year of purchase. Here we are looking at technology that is decades old. I would submit that the value of those items is zero. It probably costs us money to have them at the school. Schools struggle sometimes with how to dispose of items; we'll have to go back to the schools and try to identify where these items are and provide further guidance on the proper procedures."

A motion was made to transmit. Motion carried.

Review of the Resident on Campus Security (ROCS) Program

Mr. Reilly stated "At the request of the Superintendent, we reviewed the Resident on Campus Security (ROCS) Program. Some objectives of our review were to determine the efficiency and

effectiveness of the ROCS Program. We reviewed the contract agreement between the District and the ROCS Officers to determine their deliverables and requirements. We compared the incidents between ROCS schools and Non-ROCS Schools. During the review, we determined that statistical information was not being maintained prior to the 2013-14 school year. We determined that beginning in August 2013, the Broward District Schools Police Department's Alarm Monitoring Unit began tracking incidents at the schools. We had 15 months of activity to review. From that information for the time period reviewed, 73% of the time, the ROCS Officers were not available to respond to the District's Alarm Monitoring Unit's calls. There was not a significant difference between the reduction of theft, vandalism and trespassing at the schools that had ROCS Programs versus schools that did not have ROCS Programs. We compiled all the information for every school, which was provided by the Alarm Monitoring Unit. In 91% of the incidents reported, the local Police Department for that city was dispatched by the Alarm Monitoring Unit anyway. We also reviewed the contract between the District and the ROCS Officers and determined that all lease agreements had expired over 5 years ago. We noted multiple instances of non-compliance with the agreement. During our review of the ROCS Program, we sent out surveys, performed site visits and/or spoke with ROCS Officers and ROCS Program management and noted multiple instances of non-compliance with the ROCS Program. Based on our review, we recommended that management consider phasing-out the ROCS Program or restructuring the Program with a valid agreement containing clear special and general conditions, duties, reporting requirements, adequate monitoring of the program and the implementation of a discounted monthly lease payment fee that we felt would make this a fair and equitable exchange of services between both parties. There has not been a new ROCS trailer implemented in 19 ½ years at any of the schools. The management was very loose; there are insurance requirements that are not being maintained."

Dr. Henry Mack recommended that the program be terminated immediately.

Ms. Susan Grant asked "Did you share the results of this report with the officers' agencies? Based on the response on page 11, it appears the officer was not truthful on the questionnaire. He stated that no one else was living there; however, when you went there and knocked on the door, someone else answered and said they were living there."

Mr. Runcie stated "That would not be within the scope of our audit to communicate these findings to the agencies where those officers work. I asked our Auditors to look at this; these are the results they found. I have been working with the Legal Department, along with our Police Chief to figure out our path forward, given the findings and recommendations we have here."

Mr. Barnes stated "I thought the report was very thorough. In the scope of the audit, did you get comments from the school Principals?"

Mr. Reilly replied "Yes."

Mr. Barnes stated "I noticed that Robert Dinkel was in charge of the program prior to Mr. William's taking over. I'm assuming that all these people were consulted, as a result of this report."

Mr. Reilly stated "Yes."

Mr. Mayersohn asked "Does staff agree with the findings of this audit?"

Mr. Anthony Williams stated "I do, yes."

Mr. Daniel Rakofsky stated “I like all the work that I’ve seen that your Committee has done regarding various audits in the School Board. You seem to be an experienced and very effective group of auditors. I do think that on this particular audit, you’ve missed the boat. This is not typical for the type of work that the School Board auditors perform. This is a public safety, protective based issue that has to do with things like crime prevention through environmental design and any other concepts that are not in the usual auditing world. We have officers who were invited to live on school properties because the School Board instituted a program that valued the presence of those officers. It valued them enough to give them space and to throw in the perk of free utilities. I think they did that out of convenience. To try to measure the effectiveness of any given school by comparing it to another school’s statistics is flawed at its very inception. You have that issue. When I look at the audit, I see very anecdotal issues being brought up that point to one issue. That is that this program hasn’t been administered by the staff of the School Board. For the problems that were brought up during the audit, such as unauthorized people living on a property or somebody not complying with expectations, I would certainly think that person needs to be put on notice and/or evicted, but to automatically think that dissolving the program is the answer to the things that were brought up in the audit doesn’t ring true; it’s disingenuous. Again, we have flawed data, as far as the call outs, the alarm data. I would audit the processes of the alarm desk to find out if your data was valid. I think if you did that, you would find out that it wasn’t. Basically, this is a collection of anecdotal information about certain sites that I certainly would hope you would take action upon and a program that has not been administered for probably six years. I believe some of the contracts, the most current versions of some of them are 2008; the most recent is in 2009. Why did the School Board stop issuing contracts in 2008 and 2009? I think I know the answer to that. Do you know the answer to that? I didn’t see it in the audit report, but that certainly bears looking into. Once that started, it seems to me from looking, the program was never administered after that time. It was never managed; there was no oversight, so you basically have a high number of those 32 officers living on school sites, providing an invaluable and very difficult to measure benefit to each of those communities and each of those schools and how do you measure the feeling someone gets walking into a school in the morning and seeing a Broward Sheriff’s car or Florida Highway Patrol vehicle parked there? What would you have to pay to have that happen? I think you need to start looking at some of those costs and what those would be worth to the School Board before this is looked at as a has been, or some kind of a freeloading scam, which it certainly is not. If you look at Dade and Palm Beach Counties, you’ll see that these types of arrangements have been in place for many decades and work very well.”

Deputy Scot Petersen stated he had been in the ROCS Program for 15 years. “The ROCS Program is a crime prevention program and has been for the last 30 years. We have an agreement with the School District; we purchased our own trailers, we pay our homeowner’s insurance. The School District provides utilities. I honestly think this report is skewed. My school is Atlantic Technical College where Principal Bob Crawford has been.” Deputy Petersen talked about several crimes where he apprehended criminals, but stated the incidents were not reported in the audit report. He stated “We are crime prevention; an audit report will never show how much we prevent. Chief Williams is a career law enforcement officer. I know he understands when it comes to crime prevention, this cannot be quantified in an audit report.”

Dr. Mack stated that he concurred with the position of the Chief Auditor.

Deputy Juan Muniz Bueno stated “I have lived on Northeast High School’s campus for the past 8 years. I have great communication with my Principal. For alarm and fire response, I’m 100%.” Deputy Muniz-Bueno discussed incidents where he apprehended criminals and was available to help teachers when they locked themselves out and his monitoring of the swimming pool. “This is a tremendously great program. You can advertise it. There should be a deputy or an officer on every school campus.”

Mr. Andrew Medvin stated “It’s apparent that the data reviewed in this audit was for a limited period of time. The comments by the Officers implied that there is another aspect to the situation. Perhaps the audit should be expanded to explore that before it’s finalized.”

Mr. Reilly stated “I have to disagree with you. The audit is thorough; the information was taken from the data received from the Alarm Monitoring Unit. I’m sure there are incidents that occur on every campus; there are 201 campuses that do not have ROCS Officers. There are 31 right now that have a ROCS Officer. The supporting documentation for the basis of our conclusions is solid. Both parties spoke about things that were inaccurate. We don’t like to publicize a lot of things, for example, the fire alarm is connected to the AMU. We mentioned that in the report. We showed that on page 4, but we did not want to publicize it for confidentiality reasons. We protected the officers’ identities by not listing the officers’ names or the names of the ROCS schools. From our review, after speaking with some Principals, many had no idea who their ROCS Officers were. I’m sure the Police Officers who are there can make a difference, but there are many dangerous things happening like people living in these mobile homes who do not belong there who haven’t been screened. No one knows that they are living there; also officers who leave an abandoned mobile home unlocked and move to another state. Considering the monitoring systems that the District has in place, such as the implantation of single entry systems, new technology with intrusion and fire alarm systems, surveillance cameras, BDSPD staff on call, an Alarm Monitoring Unit that responds to all activated alarms (incidents) and the assistance of local police departments, we feel that the District has strong security measures to address theft, vandalism and trespassing. The ROCS Officers mentioned about gates not being locked; that’s an issue that the schools need to handle. The report shows that many times the ROCS Officer was on a work detail or not available. Everything is documented; there is no skewed data. All information is reported and documented from the database that was officially implemented 15 months ago. The reports that were supposed to be submitted to the Principals monthly were not turned in by most of the ROCS Officers. We feel that the best thing would be to phase this project out or re-structure it. I’ll be glad to document anything in the report that you feel is incorrect, falsified or flawed. The data we used was provided by the Alarm Monitoring Unit. Additional things that the ROCS Officers did not report should have been reported to the Principals and to the Broward District Schools Police Department, as required. None of those monthly reports were being turned in prior to April 2014.”

Mr. Hines asked “Pat, has there been any research done on the value of the rent, land space and utilities that are provided?”

Mr. Reilly replied “Yes, we researched several local trailer parks to determine the cost. Basically, the rent is approximately \$750 per month. Water and electricity runs about \$200-\$250 per month. That information is all shown in the report.”

Mr. Hines asked “Are the officers filing a 1099?”

Mr. Reilly replied “It’s somewhat of a bartering system. It’s similar to law enforcement having vehicles that they do not have to report. That’s another area that should be looked into.”

Mr. Herbst stated “The recommendation from the Office of the Chief Auditor is twofold. It is to either phase out the program or restructure it. I think a lot of what’s been demonstrated in the course of this discussion today has to do with the administration of the program and how it has evolved over the years. I think for all the ROCS Officers here, in line with what Dr. Mack stated, we don’t make policy at this body; we review the audit report and we transmit that to the Board. I think you’ve all made some very valid points. I share your concern that it’s very difficult to measure that which does not take place by virtue of your presence on those campuses. The avoidance of crime is not easily determinable. Whether it’s a matter of modifying the program, as the Auditor has recommended in terms of restructuring the agreements and monitoring compliance, there may be ways that this program can be enhanced and not just phased out, but that’s a decision for the School Board and not us. I urge you to come out at the School Board meeting where this will be discussed.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Review of Construction Services Minor Projects Bid No. 2014-35-FC

Mr. Brendan Barry recused himself from this item, since his law firm represented Advanced Roofing, a company mentioned in this report, on unrelated matters.

Mr. Reilly stated “In accordance with the 2014 Audit Plan, we reviewed the Construction Services Minor Projects bid to determine if the Office of Facilities and Construction and the vendor complied with contract terms. We also reviewed the pay applications from the Program Manager who managed the projects. We noted some areas that needed strengthening to ensure compliance with contract terms and requirements. We identified three findings that are presented in the audit. Initially, there were some construction contract bid requirements that were not followed. The contract requires estimating order forms that should have been signed by the Office of Facilities and Construction. Two of the four had substantial final completion dates changed. The Schedule of Values forms were not found in the files when we inspected the files. We later determined that these Schedules of Values were not included with the Estimating Recap Forms, which is part of the process that is required to implement the contract. The Owner’s Representation Cost Determination is a process where the Program Manager does his computation of the cost of the project and compares it to the price being offered by the contractor. We noted that the Owner’s Representation Cost Determination wasn’t being completed using the vendor’s multiplier. We also noted in the Schedule of Values, which the contractor is supposed to submit together with the Estimated Recap, that the separate line item for overhead and profit was not included, which is a requirement of the contract. We reviewed four contracts; two did not meet the M/WBE goals required in the contract. There was a second issue regarding the insurance. The Office of Facilities & Construction issued Notices to Proceed for construction prior to Risk Management’s reviewing and approving the certificates of insurance, as required in the contract. None of the four projects had the Builder’s Risk Insurance language required by the General Conditions of the contract. Two of the four did not have the Owner’s and Contractor’s Protective Liability Insurance included. For one of the projects, the Notice to Proceed was not sent to Risk Management until after the project

was completed. As mentioned in the third finding, we reviewed the invoices that were paid to the Program Manager who was monitoring the Construction Services Minor Projects. We noted the prices that were Board approved were not the rates used in the invoices. Also, our external auditors, McGladrey, are reviewing the Program Manager's contract. They looked at the first invoice and noted that there was a difference in the hourly rates being charged by the Program Manager. We looked at the second and third invoices that were paid and found incorrect amounts. The fourth invoice, which hasn't yet been paid, also contains errors, due to using the wrong rates. The contractor was using the rates that they initially put in their proposal, although the error was identified and corrected in the signed contract agreement with the District. As an overall comment, we thought in the future they should allow more M/WBE and smaller firms to be included in this construction work. Essentially, we thought it would be best to have permitted plans before the process of this contract would be used, so it would not be susceptible to change orders and changes from the original amount, because it would not be based on estimates. We did have one project that was originally estimated at \$70,000, but when the documents were fully reviewed and permitted by the District's Building Department, they realized there was an area that didn't need to be done, so we received a \$51,000 credit and it turned out to be a \$19,000 project. The system worked, because the Building Department reviewed the plans and verified the work needed before they permitted the plans. Our suggestion would be to have the design work done first, obtain permitted plans, and then get the cost estimates for construction work."

Mr. Aston Henry stated "We went back and checked with Facilities, we check with them on a monthly basis to see what projects are being performed. We just happened to come across a few projects where the Notices to Proceed had been issued. We found that all insurance was in place; it's just that they forgot to send them to Risk Management. The General Liability, Automobile Liability, Workers' Comp, the OCP and the Builder's Risk were in place prior to construction taking place. I've spoken with our Facilities Department. We now have a written procedure in place that's been given to the Facilities Department. Moving forward, once a contract is issued, Risk Management will receive that contract from our Procurement Department. We will issue a preliminary approval, which will be based on General Liability, Workers' Comp and Automobile Liability. Prior to a Notice to Proceed being issued, Risk Management must receive the Builder's Risk and the OCP. Once received, we will do our review. If these are in compliance with the contract, we will sign the Notice to Proceed and issue an approval letter."

Mr. Herbst stated "As I understand, until Risk Management has done that, nothing will move forward. There will not be a Notice to Proceed until Risk Management has approved. Is that correct?"

Mr. Henry replied "Yes."

Mr. Barnes asked "When you issue a finding and management responds to say they are doing something and then you reply 'that's not true', where do we go from there? For example, regarding the Roofing Company that did not have the insurance, the response stated that they were doing it correctly and were adhering to the policies."

Mr. Reilly stated "If we feel that something is not stated correctly in management's response, we issue a follow up response."

Mr. Barnes stated “For example, the Roofing Company did not meet the M/WBE requirements, but they went ahead with the project. Is the M/WBE a requirement to proceed with the job?”

Mr. Reilly stated “It was a requirement of the job to do that. They stated ‘in addition, the Program Manager is diligently working with all contracts to see that the M/WBE goals are met’; however, when we reviewed the audit, two of the four had not met the required goals. We responded to their response to clarify that this was not done on two projects.”

Mr. Barnes stated “If there are checks and balances in place, they are not being adhered to.”

Mr. Derek Messier stated “Pat, you commented that this process could be done differently to create more participation. We totally agree. The CSMP process does not require participation. Those are goals set in the program, so that’s the reason. We definitely push contractors to meet those, but they are goals, not requirements of the contract. I don’t mean that as an excuse. We need to do better, but this delivery method for projects limits our ability. There is a single contractor that has this scope of services; they have a goal. We could do much better by bidding this work out to a pool of small businesses and minority women owned businesses and allow them to compete for the work directly, not having to be sub-contractors. This mechanism is not the best to reach out to the local community. We’re looking at other options to move away from this delivery method in this year. Right now it’s a goal and we do our best to hold contractors to that goal, but right now, we cannot enforce it.”

Mr. Hines stated “Aston, the report references a system that was in place when these NTPs were issued. Is that true?”

Mr. Henry replied “Yes, there was a system in place, run through Denis Herrmann, but he is no longer with the District.”

Mr. Hines asked “Is the new system that much different than what’s being put forward now to provide checks and balances?”

Mr. Henry replied “Yes, there is a difference, now it’s running through Phil Kaufold in the Procurement Department. Before it was going directly through the Facilities Department. It comes to Risk Management; we do our preliminary approval, then we wait for the NTP to be received from our Facilities Department. Upon receipt, I have to check the insurance, the Builder’s Risk and the OCP to make sure they are compliant. Once they are compliant, I sign the NTP. That’s a new process in place.”

Mr. Hines asked “When a building permit is issued, is it issued before the NTP?”

Mr. Messier stated “We need to keep the NTP and the Building Permit process separate. We are working now to hold the contractor accountable for getting the permit and putting it on their clock. Previously, we kept them together and the contractor’s clock wouldn’t start on the project until they got the permit. We want the contractor, especially when the contractor in these cases is developing documents, to be on their clock. I think a key point that we missed, that the audit pointed out, is that there was a process in place, and we weren’t doing everything we could do to follow it. We’ve added one extra level of control; that is the NTP doesn’t come to my desk until it has Risk Management’s signature. I think that’s an important separation of duties and control that we added since we received the audit.”

Mr. Herbst added “I think the most important thing is having some evidence of supervisory review and approval at the end of the process before you move to that next step. Without that, staff level activity doesn’t necessarily lead us to where we want to be. I’m glad to see that’s the end check on that process.”

Mr. Hines stated “Do you agree that the audit had a positive outcome in your department?”

Mr. Messier stated “Yes. That one step alone, I think the whole audit process was worth it just to add one more control and that should create a really strong control over the whole system.”

Mr. Mayersohn asked “On page 10 under the recommendations, it states that the Department of Procurement & Warehousing Services should follow up with Advanced Roofing to remedy non-compliance issues with respect to meeting the requirements of 10% M/WBE participation goal for Atlantic Tech Center and Riverglades Elementary School projects. When you look at page 58, it states ‘compliance with this requirement is mandatory and strictly enforced. If the contractor fails to comply, it’s considered in default of the contract.’ I’m trying to understand if it’s not in compliance as opposed to this recommendation to remedy the non-compliance. The two don’t match up.”

Mr. Runcie stated “This has been a discussion for quite some time. How do we put some teeth and fidelity into our Supply, Diversity and M/WBE programs? There is intent that may have existed on paper and in Purchasing, Supply & Diversity. What’s probably written into the contracts doesn’t match that. As Mr. Messier indicated, we’re looking at ways that we can incorporate as much of that language into that contract, so then, there can be consequences when those requirements are not met. Secondly, what are we doing as an organization to create opportunities for small business, minority business and women-owned businesses throughout this county, since we are the largest business entity in Broward County? One thing we have looked at that Derek is actually putting in place, is considering the size of the projects and whenever possible, we can designate specific projects to certain groups. That’s what we’re doing. That will have a more significant impact.”

Mr. Messier added “This CSMP is a delivery method to get construction done, but it limits it to a couple of contractors, who have goals to obtain M/WBE participation. We cannot strictly enforce the requirement until we finish our disparity study. When we approve that through the disparity study, then we can start writing contracts that say this is required and it will hold up. In the meantime, we are not shirking. We are putting out every project we do and putting out participation goals for subs, but that’s still not the piece we’re trying to get to. This CSMP delivery method takes up the lower level of projects that would be much better suited by putting out to a pool of local small and minority businesses. We’re targeting \$2 million and under, which is what this delivery method does and having a sheltered market just for those types of businesses. That’s where they can operate as a prime; that’s where they have opportunities to grow their business and not just be a sub-contractor.”

Mr. Brendan Barry stated “I’d like to add in summary that I did not participate and I abstained from discussions and voting.”

A motion was made to transmit. Motion carried.

S. Davis & Associates, Inc. – Independent Accountant’s Report on Applying Agreed Upon Procedures - Review of Workers’ Compensation Transition to Self-Administration

Mr. Reilly stated “We contracted the services of S. Davis & Associates to assist us with the Workers’ Compensation Program, specifically to assist the District in creating a self-insured Workers’ Comp Program that would implement the Criteria-Based Model, which basically is different than we had when we originally reviewed the Workers’ Comp Program years ago. The Criteria-Based Model uses a philosophy of making an investment in the injured employee, based on the defined needs and merit based decisions, rather than cost cutting. The District wanted to make sure their employees are getting what they need, so they wanted to implement a self-administered program where we could control the claims adjusting and medical case management. A little over a year ago, the District decided to implement the self-administered program. We had the firm called Imagine Clinical set up all the requirements as far as licensing and setting up the program here. We wanted to verify that all the deliverables were met.”

Mr. Shaun Davis stated “We were engaged to perform a review of the School Board’s transition to a self-administered Workers’ Compensation Program. Specifically, we were to review the major component services and deliverables completed by Imagine Clinical that comprised the establishment of the in-house Workers’ Compensation Department and Operational program designed and prepared by the Criteria-Based Model approach to Workers’ Compensation. In addition, we were to perform a limited review of the administration’s budgetary objectives for administering the program. We were to perform Agreed-Upon Procedures solely to assist the School Board in administering and determining whether Imagine Clinical delivered the major components and deliverables that comprised the establishment of the in-house Workers’ Compensation Department. We were not engaged to perform an audit; the objective would be to express an opinion on the accounting records. We don’t express an opinion, but we did perform the Agreed-Upon Procedures. There were 13 Agreed-Upon Procedures in our scope that we performed and they mirrored the contract, that is with Imagine Clinical and the School Board. As Mr. Reilly indicated, through that scope, Imagine Clinical was to ensure that there was a self-administered Workers’ Compensation Program. For a little over a year, they have been working on that. I believe there are about 28 employees within the Department. The Summary of our findings are that all the deliverables described in their scope of services were successfully completed. The key confirmation milestones are that the Workers’ Compensation Business Unit was established and has been handling claims for over a year. The District received the required approvals from the relevant State regulatory agencies for self-administration. The District received certification from the District’s excess carrier to self-administer their own claims and the required documentation of relevant information, the models, the criteria, the principles, the operating procedures, training, oversight and report mechanisms were developed, reviewed and implemented.”

Mr. Mayersohn asked “I understand the scope of work that you were contracted to review. On item #4 on page 7, how did you determine that the self-administration was done November 2013? From the Florida Department of Finance Services under Insurance Claims Administrators, it says that the status was effective for Broward County School Board on October 14, 2013.”

Mr. Davis replied “This was determined through documentation that was provided.”

Mr. Joe Zeppetella stated “The letter that was given by the Division of Workers’ Compensation from the State was dated November, with an effective date of October 1st. They received everything they needed prior to the go-live date, but they did some tests afterwards, that’s why it was dated after the fact. We went live October 7, 2013.”

Mr. Mayersohn asked “Should this report reflect that change?”

Mr. Reilly stated “I don’t think the report needs to be changed. It’s clear that the effective date was October 1st.”

Mr. Mayersohn asked “On #13, it was \$4.4 million and the cost now is \$3.8. That, obviously did not include the \$650,000 cost for the consultant. Is that correct?”

Mr. Davis stated “Yes. This is just the operational cost.”

Mr. Mayersohn stated “This consultant was hired in 2006. If somewhere along the way, we compare the scope of work in the February 2006 contract to his contract in 2013, a lot of those deliverables are very, very similar. In the scope of comparing it, is the question that something that was delivered in 2006 and now we are saying he is going to deliver that same thing in 2013. Are we double dipping and paying for something twice?”

Mr. Runcie stated “There’s a fundamental difference. The first one was the District outsourcing the service. We noticed over time, we were able to realize some significant return on the investment that has been quantified; it’s been shared with the Board; it’s been discussed. Over the last couple of years, we’ve seen a trending back because of a change in management, consolidation and marketplace. That type of service no longer became a priority for those entities, so we now move to take those practices and that structure and bring it back in-house. The scope might have been similar, but the whole structure and strategy was different.”

Mr. Mayersohn stated “My point is if someone is contracted to create a manual on a criteria-based model, that model is still the same in 2006 as it is in 2013. If he’s delivering that same model to Optacomp, it’s still the same model. Those things haven’t changed. My opinion is for someone to take a look and see if those services that were provided were a duplication of what was provided in 2006.”

Mr. Zeppetella stated “There were several differences; the most significant difference between the work performed in 2006 and 2013 was that he was introducing the CBM model for it to be executed by an outsourced third-party administrator. All of the procedures were the responsibility of the outsourced party, where this was putting that together with District staff and resources.”

Mr. Hines stated “I really think this is out of the scope of the agenda and I’d like to make a motion to transmit.”

Motion carried.

McGladrey, LLP - Auditor's Communication of 2014 Audit Results

McGladrey, LLP – Single Audit Reports in Accordance with OMB Circular A-133

McGladrey, LLP – Management Letter for the Year Ended June 30, 2014

Mr. Brett Friedman stated “The audit was performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards and also in accordance with our Arrangement Letter with the School Board, which was dated July 16th. Management is ultimately responsible for identifying what policies will be applied and how to apply them. There was a new accounting pronouncement GASB Statement 65 required to be implemented this year. That resulted in a few changes to the accounting for the School District, as far as how certain items were treated, particularly deferred bond issuance costs and also introduced new concepts referred to as deferred outflow resources and deferred inflow resources. As for significant or unusual transactions, in the current year, the District made a decision to change how it was accounting for its self-insurance, going from an internal service fund into accounting in the General Fund. Both options are clearly in accordance with GASB Statement #10 for Risk Financing. We met with management and what’s been done and recorded is proper. We didn’t discuss any alternative treatments with management. As far as uncorrected misstatements, we had a few, but those are items that are deemed not to be qualitatively or quantitatively material to the financial statements. During the year, we did not encounter any disagreements with management in performance of the audit. We were not aware of them having any consultations with other auditors. As far as significant issues, there were no problems. We walked through the self-insurance item, because that’s very unusual in nature. Two significant accounting estimates that are important are the accounting for other post-employment benefits and the actuarial assumptions used for the self-insurance calculations. For both of these, the District uses outside vendors to help them, due to the complexity of the calculations. We look at the underlying assumptions being used and made sure they are reasonable in accordance with the industry, consistent with what’s been done in the past. We have our own actuarial consultants who let us know whether or not the methodology is appropriate. On page 5, GASB #68 will have an impact on the financial statements. The District is part of the Florida Retirement System. With the implementation of GASB #68, the District will have to present its portion of the State’s unfunded net pension obligation. That amount is not known at this time, because the State is still doing their report. It will be a liability that will be presented at the Government-wide level. It’s not something new; it’s something that has always existed, just as being part of a multi-employer plan, it’s not something that’s ever been presented in the School Board’s financials. The Single Audit Report shows on page 9 a summary of the audit. We issued an unmodified opinion on the financial statements. Those were presented in December; that’s the best opinion that we can issue as far as whether or not the statements are fairly presented, in accordance with Generally Accepted Accounting Principles. There were no material weaknesses or significant deficiencies in regard to internal control. There are three levels, material weaknesses, which says there are major problems with controls; significant deficiencies, which is a lower level and the management letter recommendations, which are performance improvement observations. There were no audit findings with the grant programs. There were five different programs, all education related, that were selected as major programs. The threshold used is \$3 million and the District qualified as a low-risk auditee.”

Ms. Chantelle Knowles stated “We issued a Management Letter in accordance with the Rules of the Auditor General. As part of our audit, we followed up on five prior year findings, which are noted on the last page of the report. We noted that all prior year findings had been addressed and are now no longer relevant. We noted four current year observations for improvements to financial management. The first is noted on page 3 and is related to User Access Reviews. We noted that a domain administered access was actually being reviewed by management, but not being documented. Our recommendation was for management to document that process. When we followed up with management, we found that has occurred. For the second comment related to Restorations, we noted that during fiscal year 2014, the disaster recovery test was not performed and when we followed up with management, we noted that it was performed in December and there were no issues with that. The third comment was related to Due From Other Governmental Agencies. We noted there was approximately \$1.7 million in receivables that were carried forward from previous years and we noted there was no support for those receivables and they should have been written off. We recommended that the District implement a policy and procedure where they timely review their receivables and Due From Other Governmental Agencies to make sure that all those receivables are actually collectable. The last comment was related to Self-Insurance accounting and reporting. As Brett mentioned, the District changed its accounting from recognizing its risk financing activities from the Internal Service Fund to the General Fund. We noted during our review that one entry was not properly recorded and we also noted the District uses a third-party actuary for its self-funded employee health reserves. We noted that the actuary provides an estimate that included a full accrued obligation for that year; however, when we did our review, we noted that management doubled that estimate, which resulted in an overstatement of accrual. Our recommendation to management was to document any transactions in a memo, have it formally reviewed by all parties to ensure that the situation that happened doesn’t occur in the future. We also recommended they review or have an extra level of review of the reserves to make sure they are not over accruing.”

A motion was made to transmit. Motion carried.

Meeting adjourned at 2:30 p.m.