

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

April 28, 2016

Ms. Mary Fertig, 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
Mr. John Herbst
Dr. Nathalie Lynch-Walsh
Dr. Henry Mack (attended by phone)
Mr. Robert Mayersohn
Mr. Andrew Medvin

Staff Present:

Ms. Shelley Meloni, Office of Facilities & Construction
Ms. Luwando Wright-Hines, Title I, Migrant & Special Programs
Ms. Carol Purrier, Budget (Grants)
Ms. Michaelle Pope, Student Support Initiatives
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)
Ms. Ali Arcese, Manager, Property & Inventory Control, OCA
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA
Mr. Bryan Erhard, Confidential Clerk Specialist C, OCA
Ms. Meredith Filcman, Manager, Operational Audits, OCA
Ms. Beata Wrightsman, Auditor III, OCA

Guests Present:

Ms. Natalee Camoesas, RSM US, LLP
Mr. Roderick Harvey, HCT Certified Public Accountants
Mr. Rob Chomiak, Heery International
Mr. Rob Corbin, Heery International
Mr. Scott Travis, Sun Sentinel

Ms. Mary Fertig stated for the record that we did not have a representative from the Superintendent's Office and stated that the Committee would forward any questions.

Old Business

Minutes

A motion was made to approve the minutes from the March 10, 2016 Audit Committee meeting. Motion carried.

Follow Up Items

Follow Up Item #1 - Internal Audit Report – Property and Inventory Audits of Selected Locations – January 21, 2016

Mr. Patrick Reilly stated “The Committee requested information on procedures for missing laptops and why the procedures differ for students and staff. I spoke to Dr. Wanza. She is at the Cabinet Retreat today. She asked if this could be brought back at the June 16, 2016 meeting.”

Mr. Robert Mayersohn asked “Did she put anything in writing?”

Mr. Reilly stated “One document that was presented at the January meeting requested that the parents sign the document whether they take the item home or leave it at the school. Of course, you shouldn't have to sign if you're not taking the item out of the school. They are revising that. They are treating laptops like textbooks or other items assigned to students, for which the students are responsible. Dr. Wanza is asking Legal to look at it.”

Mr. Mayersohn asked “Can I make a motion that Dr. Wanza provide that information at our next meeting?”

Ms. Fertig stated “We're coming up to the end of the year and we should close out these items before we begin the new fiscal year.”

Dr. Nathalie Lynch-Walsh stated “They're calling it a consumable. I don't think when it gets purchased, it's treated as a consumable. Are they treating it as a consumable or a fixed asset and are these insured? Are people being charged for something that's covered under an insurance agreement?”

Ms. Fertig asked “Can we capture those questions to ensure that Dr. Wanza is prepared to answer at the June meeting?”

Follow Up Item #2 - March 10, 2016

Mr. Reilly stated “The Committee asked if the \$5.3 million increase in repairs and maintenance identified in the 2014-15 Comprehensive Annual Financial Report was from General Obligation Bond (GOB) or other funds. I think the request now is different and I should let you rephrase the question. The Facilities Department and Physical Plant Operations are under the same group. If you

want to identify schools where repairs and maintenance were performed and they are schools under the GOB budget in the DEFP, the Facilities Department would need to provide that information.”

Dr. Lynch-Walsh stated “If we were to review the minutes, I think they would provide the context to the question, because the Accounting Department is reporting a \$5.3 million increase in repairs and maintenance. There should be a schedule to support every number in the report. The PPO expenses are going up. In the past, they went up because of deferred maintenance and they went up so significantly back in 2008 and 2009 that when you look at projects that were cancelled, they were cancelled because of deferred maintenance and PPO expenses going up. It’s been a practice in this District to not understand that just because PPO is doing something doesn’t mean they’re doing it for free. When they are doing work, you’re paying that person to do the work. When they are entering into the contracts with continuing contract vendors to do work, that’s not for free. When they’re buying material and supplies, that’s not for free either. What you have is PPO needing more money, but why? In this case, we have projects that were identified as projects that would be addressed with Bond funds and the longer those are drawn out, the more likely they’ll need to have a repair or maintenance, but they’re still sitting on that school’s GOB budget in the DEFP. If you no longer need to do that repair, then that budget is being overstated by the amount of the thing you’ve just handled, and PPO is not accounting for the fact that you handled something that’s GOB. One of the concerns everyone’s had is the co-mingling of GOB and non-GOB funds. Simply throwing more money at PPO without asking them to explain the underlying rationale for the repairs and maintenance, let’s say you have everything new, you’re repairing and maintaining, you can pretty much predict how much that could be. We’re not at that point. We’re at the point where you have things breaking because someone prioritized them as a three, four, or five in the Needs Assessment, but really they were a one or a two and now that’s come due, so you have to fix it. For instance, Plantation High School has an HVAC listed as part of the cafeteria. They’re not slated to get their renovations till 2018, but if they’re getting a new HVAC now, you’ve given them a new HVAC that you don’t have to replace that is sitting on that budget for 2018, but in fact, is part of the reason that repairs and maintenance expenses are going up.”

Ms. Fertig stated “I got a follow up memo from Pat’s office stating that GOB has not been used for repairs and maintenance. The question we have on the follow up was whether GOB funds are being used for repairs and maintenance.”

Dr. Lynch-Walsh stated “The question reads correctly, it’s the answer that got reversed. There should be support for the \$5.3 million. Where is the \$5.3 million coming from? Is it coming from repairs and maintenance? Are any of the things coming from GOB items that are listed in the DEFP as part of the GOB?”

Mr. Reilly stated “For example, let’s say this building needs a new roof and it’s planned for year two from the Bond money. In that time, there’s a major repair needed and they do the roof now. Then you want to say now that money that was budgeted for that is not needed, because they’ve already spent it from the maintenance fund.”

Dr. Lynch-Walsh stated “What work are you doing in PPO? If the explanation is repairs across the board and there are 9,000 little line items or the cost for material went up, then that’s an explanation, but if the explanation is that you suddenly started to do a bunch of GOB work, that’s something to keep an eye on because that is one of the concerns. This was supposed to address all these deferred

maintenance items and it also causes you to look at how things were prioritized. You prioritize based on how much longer things could last. If we start seeing things that were slated for 2018 and 2019 that are breaking down now, that suggests they were mis-prioritized.”

Ms. Fertig stated “We have a really full agenda. Can we capture that and bring it back at the next meeting?”

Dr. Henry Mack stated “This is not an Audit Committee issue. This is an issue for another committee. The answer to this item was a yes or a no. This committee deals with audit reports, not operations. If we get down to this level, our meetings will last for hours like School Board meetings. Every time you ask the Chief Auditor for something, it’s an increase in their workload. Their workload now has expanded to the point of being ridiculous. The next item regarding SRO officers, that’s not our concern. That’s a concern of the Superintendent.”

Mr. Reilly stated “I’m not sure if this information is readily available and may need to be requested through a Records Request.”

Ms. Fertig stated “We have no one here today from Facilities and I think we need to postpone the conversation until we have someone here from Facilities.”

Dr. Mack stated “This is none of our business. What are you going to do with that information? Nothing.”

Ms. Fertig stated “If it came out of a follow up question, we’ll see if we can get an answer, but we’re not going to get it today.”

Follow Up Item #3 - Follow Up Items – March 10, 2016

Mr. Reilly stated “This request regarding School Resource Officers is handled by the District Schools Police Department. I requested a report. They gave me a tentative draft, but did not have a complete report. They don’t have the breakdown. Some of the SROs handle several schools, so their time is shared.”

Mr. Mayersohn stated “I believe you’ve been instructed to perform an audit of the Police Department. This can wait for that.”

Mr. Reilly stated “That is true. There is approximately \$6.8 million spent on the SRO program and approximately 149 SROs covering about 191 schools.”

Follow Up Item #4 - Audit of Termite Extermination Contracts No. 15-109T and No. 28-137T

Mr. Reilly stated “A meeting was scheduled with Mr. Sam Bays and Mr. Runcie. We had to reschedule. I met with Mr. Bays. Due to the audit, the District has accepted the \$425 discount per portable per termite fumigation. The issue is that we need a specific method of pricing each job. Is it by building or by cubic feet? That needs to be clearly defined in the contract. The contract is currently set up to receive discounted prices for cubic feet quantities. They stated they will review this contract in the fall, since they have multiple contracts that they need to do first.”

Follow Up Item #5 - Audit of Termite Extermination Contracts No. 15-109T and No. 28-137T

Mr. Reilly stated “The Committee requested information on why another bidder was rejected. We found that the vendor was required to use Vikane fumigant and they did not put that in their bid; therefore, they were disqualified from that portion of the bid.”

Regular Agenda Items

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

Mr. Reilly stated “This report contains seventeen schools. All of them complied with procedures and policies related to internal funds.

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This report contains seventeen District property and inventory audits, of which all locations complied with all policies and procedures related to Business Practice Bulletin O-100 (Procedures for Property and Inventory Control). As requested, we began auditing the monies from the Bond program, where Charter schools are receiving IT equipment. We performed an audit of four Charter schools that received Bond technology equipment. All four schools reside in the same building. An audit of these Charter schools was initiated after being notified that the District’s equipment was being sold through Amazon. The equipment was purchased with Bond technology funds and was delivered to the school in October 2015. An investigation was conducted by the Charter school after being notified of the theft. The investigation revealed that 35 iPad Minis were stolen. The equipment of the four Charter schools was co-mingled; they should not be co-mingled. Although the Charter school filed a police report, we observed poor procedures for monitoring the Technology equipment. There was equipment stored in a storage room that was not being used by staff or students. There were several occasions where equipment was not being safeguarded. While we were there, we noted a lack of internal controls for tracking equipment. The Charter school would hand out equipment to staff without issuing a property pass. We provided the Principal and Tech person some procedures we felt should be incorporated to help them manage their property and inventory. Referring back to the item sold on Amazon, the Charter school didn’t even know that items were missing. The person who bought the computer lived in England, but he could not use the iPad, since it was set up with the District’s program. That’s what triggered that. We were also concerned because they were not using the equipment. There are approximately 68 of the 70 Charter schools that received IT equipment and we are following up to spot check some of these schools. Again, it is the responsibility of the Board of Directors of each Charter school to have controls in place. We’ve issued the items, we verified what they received and now they’re responsible for ensuring this equipment is used for students and teachers in the classroom, not for administrative use.”

Mr. Mayersohn asked “Does the Bond Technology Committee receive this prior to the Audit Committee?”

Mr. Reilly stated “The Bond Oversight Committee is interested in the delivery of IT equipment.”

Mr. Mayersohn stated “I believe the Audit Committee is supposed to receive audits prior to anyone else to review the audit.”

Mr. Reilly stated “That schedule is just the information on what’s been delivered.”

Ms. Fertig stated “I see you’re looking at the delivery of these, but so many of these cost less than \$500. Will you be tracking every one of these computers for their lifespan?”

Mr. Reilly stated “They are required to track their equipment and provide us with a fixed asset schedule, at least on an annual basis. We’ve actually asked for this to be provided more often, with the monthly financial reports, which they’re required to do by law.”

Mr. Mayersohn stated “We don’t audit anything under \$1,000. Is this an exception to the rule?”

Mr. Reilly said “We do because the rules for property and inventory have changed to include IT items that are less than \$1,000.”

Mr. Mayersohn asked “So this will be perpetually audited?”

Mr. Reilly stated “No. Our District’s equipment will be.”

Ms. Fertig stated “That was my question. I was not talking about Charter schools. I was talking about equipment going into our classrooms. We will be auditing that, regardless of the cost?”

Mr. Reilly stated “Yes.”

A motion was made to transmit. Motion carried.

External Audit Report – HCT Certified Public Accountants & Consultants, LLC – Current Status of Ethics Findings reported in the 2011 Grand Jury Report

Mr. Reilly stated “This was discussed at the last meeting and the Committee requested a couple of changes in the responses. This report was a review of the ethics related findings in the 2011 Grand Jury Report. HCT reviewed the 21 ethics related items. On Grand Jury item #9, item #7, regarding retainage on construction projects, we have a School Board Policy that states once a project is completed, they can drop the retainage amount. For the period when it’s dropped below 5%, they requested if there are any times that the District will reduce it further, there was to be a written request brought to the Board to show what additional retainage the District would be releasing. The Facilities Department has created a form shown on pages 27 and 28, which has been implemented. Also, there was a concern related to whether the District wanted to implement an Inspector General arrangement, which the Board chose not to do. That hasn’t changed, but the response from HCT needed to be changed to verify that the District has not changed its position on the Inspector General issue.”

Dr. Mack stated “I’m delighted to see that the administration understands that because the Grand Jury or State Auditors make a recommendation does not mean that we have to implement it. I hope we look at that in terms of some other ridiculous requests that are made by the State Auditor General.”

Dr. Lynch-Walsh stated “I appreciate the clarification that the District chose not to create an Office of Inspector General. We have a District, despite having three Grand Jury investigations, that chose not to implement this recommendation. There is no explanation, especially in light of an \$800,000

Bond issue that is behind schedule and appears to have understated budgets, based on some stuff that's been occurring at the last few Board workshops. Do they never have to explain why?"

Mr. Reilly stated "When the Grand Jury report came out, it was decided by the Board that the District has access to the State FDOE Inspector General; the District has an in-house Audit Department, and they have access to a cadre of auditing firms. The cost was also an issue. The District looked at the Broward Inspector General's Office, but it would have been a large expense. The Miami-Dade County School District does not have an Inspector General, but they have a contract with the Miami Inspector General, on an as needed basis. The cost for this contract was approximately \$400,000 per year."

Dr. Lynch-Walsh asked "If you're going to say no, I think it's reasonable for the Superintendent to say why he believes, in 2016, with everything that's going on, missing money left, right and center, and this is a District that has not had that type of oversight and we've had three Grand Jury investigations, it seems as though they completely missed the boat when it comes to being cautious and putting an Inspector General in place. I'm going to suggest that we're going to lose a lot more money before this is all over than it would have cost to put in an Inspector General and provide that kind of oversight. Is it possible for them to explain why this isn't necessary?"

Ms. Fertig stated "I think we're responding to a 2011 recommendation. I just checked the minutes to see what we asked for last time. In 2012 they made a decision not to implement that recommendation and that's what's reflected here. Going beyond that and asking them to respond to a 2011 audit with a 2016 response is a question of whether they implemented what was recommended. I personally think that's clear on this response. Should it be brought up again? There's probably a different venue than this Committee to do that. You're (HCT) looking at whether they have or have not complied. Is that correct?"

Mr. Rod Harvey stated "That's correct, based on what was put forth in 2011."

Dr. Lynch-Walsh asked "Why isn't the question 'why' part of it?"

Mr. Harvey stated "Basically, coupled with Mr. Reilly's response, the 'why' was that the District thought they had enough oversight."

Dr. Lynch-Walsh stated "There are things we may have believed to be true five years ago, ten years ago, but what is the point of you (HCT) going back and giving a current status of implementation if you don't say to them 'please document why'. Why is the District paying you guys to simply repeat what they've been saying since 2011 which is 'no we are not going to do that'?"

Ms. Fertig stated "The question that they were hired to answer is have they implemented, not implemented or are they in the process of implementing. They've answered the question that they aren't and they aren't going to. That's a political discussion that could come back up when this goes to the Board, but I don't know that the gentleman who's here today has the ability to answer in the minds of the Board what they think in 2016."

Mr. Mayersohn stated "Since Dr. Lynch-Walsh feels so passionately about this, maybe when we do strategic planning for audits to be performed in the following years, maybe this might be an item to be brought back. To have this discussion here today with none of the parties being here is moot at this point."

A motion was made to transmit. Motion carried.

State of Florida Auditor General Financial and Operational and Federal Single Audit – Broward County School District for the Fiscal Year ended June 30, 2015

Mr. Reilly stated “The State Auditor General performed a financial, operational and single audit for the fiscal year ended June 30, 2015. In addition to the financial statements, there were 12 findings and recommendations relating to the operations of the District. The 12 findings related to payroll, overtime, health insurance, schools’ internal funds, charter schools, annual facility inspections, tangible personal property, virtual instruction program and security controls related to IT operations. In addition, there were two federal findings and recommendations related to Title I and the Federal Pell Grant Program.”

Dr. Mack stated “Six of these observations are related to Charter Schools. We have limited authority to direct these people and they continue to make us look bad.”

Mr. Mayersohn asked “Can you provide further information on the Title I finding as to whether or not the District owes the \$23 million or it’s just been mis-allocated?”

Mr. Reilly stated “The audit finding related to Title I is that the District applied for the grant funds. We submit the application based on the schools with the highest poverty level. The Auditor General was basically stating that the order the District categorizes from highest to lowest poverty levels is different than when the District applied for the funding. The District applied in November 2013 for the 2014-15 school year. During that time, the rankings changed. The Auditor General was stating that when the District submits an application, if there are any differences on how the District allocated the funds, they should have explained those differences to the grantor. The District responded that they will do that and implement controls to have an audit trail showing how expenditures were made. I verified with the Auditor General’s administrative staff that their intentions were not that the District had to pay any money back. The Auditor General used the word ‘restore’ if the District couldn’t explain how they spent the money. They requested that the District contact the DOE and explain how the monies were distributed. The District distributed the monies the same as it has done in the past. For example, all schools with a 75% or higher poverty level would receive \$344 per pupil. Schools with less than 75% poverty level receive \$255. There were other things in the Auditor General’s schedule that were confusing. The dollar amount, which is mostly staff labor, was based on an average teacher’s salary. You can have a teacher making \$65,000 versus a first year teacher making \$40,000, so it could differ. Also, fringe benefits were not included in their number. There are LEAs, which include funds for transportation to events, technology, materials, etc. The District does not have to repay those funds.”

Mr. Mayersohn stated “So, you’re saying the District does not have to repay those funds?”

Mr. Reilly stated “That is my understanding after speaking to Mr. Jim Stultz, who is responsible for all District audits performed by the Auditor General. I spoke with the auditors who performed the audit, Ms. Stefanie Johnson and her supervisor, Ms. Diana Garza. Their interpretation is that the District needs to show the DOE how we distributed the funds. The District responded that they would submit this by June 30, 2016.”

Dr. Lynch-Walsh stated “I get the idea that the District does not have to repay funds to the State unless the District can’t justify what it did. If the District can’t justify what it did, then there’s a risk that they would have to restore the money.”

Mr. Reilly stated “The Auditor General had no issue that the monies were not spent for Title I. The distribution changed between the time the District applied for the funds and the time the funding was received. Discussion followed.

Dr. Lynch-Walsh asked “How long did they stay in that Department auditing? Did they discuss these issues with the person in charge of Title I? When an audit is performed by an external auditing firm, there is constant communication, so if there’s an issue, it only becomes a finding if the issue cannot be clarified. This would mean that there’s \$23 million that the auditors left, not being satisfied with the explanation, unless they just took off without getting an explanation and wrote up the audit finding.”

Ms. Luwando Wright-Hines stated “This audit was started in February 2014 and I only had the opportunity to meet with the auditors after the audit was transmitted. No, I did not have the opportunity to give clarity on the questioned costs related to it.”

Dr. Lynch-Walsh asked “So you’re saying the entire time they were here auditing, they did not communicate with you regarding these issues?”

Ms. Wright-Hines replied “Correct.”

Dr. Lynch-Walsh asked “Why is it going to take until June to respond to the DOE?”

Ms. Michaelle Pope replied “It actually will take us until that time to provide the documentation to the Florida Department of Education. We are looking to be as transparent as possible on how all dollars were spent. The questioned costs, as Mr. Reilly has stated, have all gone to Title I schools. We are going school by school and providing all documentation on the funds that went to each school, those that were part of the base allocation, as well as those that were part of the District support allocation that was provided to those schools. We are going through our system and will provide them with staffing reports, as well as every single expenditure. That work was started immediately upon the end of the audit; we are in constant communication with the DOE. They are letting us know exactly what they need and we will provide it.”

Dr. Lynch-Walsh stated “Page 107 stated ‘notwithstanding this response, the District has not established procedures to allocate amounts to the District schools in rank order based upon the amount of children from low-income families’. What does that mean, that there aren’t procedures?”

Ms. Pope stated “We used the formula that was based on a date certain, free and reduced lunch applications, looked at calculations and ranked schools based on that formula. The Auditor General is using a completely different formula looking at different processes, different procedures. They pulled information from our SAP system. We provided everything that they asked for and came up with a different ranking.”

Dr. Lynch-Walsh stated “We’re hearing that the State auditors were a little nit-picky. Is this a true statement that the District has not established procedures? What does that statement mean? Why is it in here? Do you have established procedures that are in writing?”

Ms. Pope stated “We do have procedures.”

Dr. Lynch-Walsh asked “Is this another instance where this sentence ought not to be in here?”

Ms. Fertig replied “We have no control over the State.”

Mr. Reilly stated “I think when you allocated all those schools, one thing that would have helped them would have been to place the amount that they allocated into each location and then make a journal entry to transfer funds accordingly. At the end of the day, they reviewed the Title I expenditures. If there was misuse of funds, they would have noted that. They are strictly speaking of the method of how you request funds, so the grantor would know if there are deviations.”

Dr. Lynch-Walsh stated “You’re saying when people move things around, they’re not making a notation, like a journal entry?”

Mr. Reilly stated “In November 2013, when they submitted the application, you have to request the amounts for each location. When you book the budget for the 2014-15 school year, there may have been 720 students that may no longer be at Dillard.”

Dr. Lynch-Walsh stated “I understand what’s happening, but you said something about a journal entry.”

Mr. Reilly stated “I am in the Audit Department. I am not doing the accounting. I’m just telling you what they want. I’m not telling you how they’re booking that. The Auditor General wants the District to provide the Grantor (DOE) documentation on how the money was allocated, if different from the original allocation.”

Dr. Lynch-Walsh stated “It sounds as though there should be some sort of notation when things start getting moved around.”

Mr. Reilly stated “That’s what I recommended.”

Dr. Lynch-Walsh stated “That suggests that it’s not currently being done.”

Ms. Pope stated “It’s not that it’s not being done. There are procedures in place; they would like to see some additional documentation and we’re OK with providing them whatever additional processes they need; however, our SAP system captures every payment, every expenditure.”

Dr. Lynch-Walsh stated “Does it explain why you’re doing what you’re doing?”

Ms. Pope stated “It does to us. The fact that we did not have an opportunity to actually explain to them what they were looking at plays a role in this.”

Mr. John Herbst asked “I think I’ve heard two conflicting statements. Is the issue that the number of students changed because they migrate in and out of the school during the course of time or is the issue that they used a different formula and methodology?”

Ms. Pope said “It’s both.”

Mr. Herbst asked “Is there a promulgated standard from them as to what date you’re supposed to use? Is there a promulgated formula that we’re supposed to use?”

Ms. Wright-Hines replied “Yes, there is and we’re working with the Florida Department of Education to ensure that we’re on the same page pertaining to that particular formula.”

Mr. Herbst asked “Is there a promulgated date at which we are supposed to measure?”

Ms. Pope replied “Yes.”

Mr. Herbst stated “I’m struggling to understand why they would push back on us if we are using the standards that they articulated.”

Ms. Wright-Hines replied “I think Ms. Pope addressed that when she stated there was not clarity and Mr. Reilly mentioned it too. There were LEA District level activities that also coupled in the schools’ allocations that increased their allocations, which contributed to some of them being out of rank order. That’s why we’re clarifying those activities to make sure they are excluded, so when we communicate with the Florida Department of Education, they have an understanding of how we captured the allocations we distributed to the schools.”

Ms. Fertig stated “You’re saying that you may have used District funds, as well as Title I funds for a particular activity at a school and that may make it look like there’s a disproportionate amount of Title I. Is that what you’re saying?”

Ms. Wright-Hines replied “Absolutely. You captured it.”

Mr. Reilly stated “The Auditor General treated the \$23 million as questioned costs. During the exit conference with the Auditor General, which several people attended, Dr. Osgood, Mr. Runcie, Ben Leong, the Auditor General’s auditors, they provided a schedule to explain how they are considering these as questioned costs. They are saying that we submitted a proposal for the grant, for example, Dillard Elementary, as the highest ranking poverty level (98%). They are number 1 by ranking by student population. They had 720 students of the 728 who met that criteria. When you do the allocation for Dillard, they were supposed to get \$330,333. They are dividing by the 720 students, which gives you a \$417 per pupil allocation. When you do that with the rest of the schools, if you don’t have 720 students, such as Coconut Creek Elementary, the per pupil allocation would be different. Coconut Creek Elementary had an allocation of \$293,606 and 457 students of the 776 students, which is 58%. Their per pupil allocation was \$642. The Auditor General is stating that the difference between the \$642 and the \$417 multiplied by 720 is the questionable cost that Dillard should have received. That’s what they’re saying. That’s their instruction from DOE. They’re not questioning what the actual expenditures were. The Auditor General did not report any supplanting or misuse of Title I funds. They are saying that Dillard is number 1 and they should have received the most money. They’re treating it as the students who meet the poverty level criteria, but then they switched over to per pupil allocation. That’s the question that I have with DOE and the Auditor General. That’s the basis for the questioned cost. We questioned that. Again, the concern is that we don’t have to pay that back; we just want you to show the DOE, even though Dillard was number 1, what was actually distributed to them. That’s the misconception. If you’d like a copy of the schedule that they provided to us after the audit, which I think should have been included in the audit, I’ll be glad to show you that.”

Ms. Fertig stated “I think that schedule would be helpful. This section of the report states ‘finding type material non-compliance and material weakness’. That’s the only finding in this entire report that has that statement. When I read further, I found a couple of things. I’m having a hard time

listening to these explanations and reading it in context to figure out whether or not . . . Those schools that are high in free and reduced lunch they may change position from 5 to 6 or from 7 to 8, but they don't generally change position from number one to number 40 or 50 or 60. This example you used for Dillard Elementary, that's a school that's had a growing population. Those are two factors that I don't see changing between November 2013 and the time that this money was spent. The school population may have grown during that time and whether or not they went from number one to number 60, which I seriously doubt. I think these are very serious statements, whether you have to repay it or not is not of much concern to me. It's whether the students who are deserving of that money received through a Federal grant received that money, regardless of what school or city they are in."

Mr. Moses Barnes stated "I believe the report stated what needed to be done. I think we need to allow the Title I Department to respond to the request."

Mr. Reilly stated "There were items in the report that we disagreed with. If the Auditor General disagreed with any of our responses, they would submit a follow up response. They did not have a follow up response for this item. They were satisfied that we would show our grantor how we distributed the funds."

Ms. Fertig stated "On Finding #1, the statement was made that District personnel was not aware that the District's transfers to the Foundation were not allowed by law, in reference to the District paying salaries for the Broward Education Foundation and other office expenses. I know we do an audit on the Foundation every year."

Mr. Reilly stated "The BEF has an external auditor do their annual financial audit. The BEF has been around since 1983, I believe. We provide office space and pay the salaries for two employees. The OPPAGA group came in around 1998. They had no issue with this. My understanding, after speaking with Mr. Stultz, of the Auditor General's Office, is that this began with universities and colleges. Later they were covering some of the salaries and they decided that shouldn't be done. Now, I guess that's trickled down to the school Districts. Their position is that should not be allowed. They are referencing Florida Statute 1001.453, which to me, basically explains what a direct support organization is. The Auditor General feels that is something that should not be allowed. Our General Counsel's office is looking into the matter. Our response was that we'll determine the best way forward and take any necessary action. It's now a legal issue at this point. I had invited the Auditor General to today's meeting, but they chose not to attend. You can write to them or contact them directly if you wish to do that."

Dr. Lynch-Walsh stated "The BEF has been around for a while, so prior to 2012, was this a problem? Who responded to this finding?"

Mr. Reilly stated "Dr. Nathan Balasubramanian is the liaison with the BEF and he works under Mr. Woods."

Dr. Lynch-Walsh stated "Why don't they go back to what they were doing prior to 2012, which was not making these types of payments?"

Mr. Reilly stated "The District has been making these payments for a long time before 2012."

Ms. Fertig asked “On page 97 regarding overtime payments, the District did not identify the amounts by current and past fiscal year salaries. Also, there was a question of whether we would meet the two year statute of limitations on collections.’ What is that in reference to? These sound like payroll issues.”

Mr. Reilly stated “Their sample of 30 identified some overtime that may not have been approved prior to working, several ZTIM reports were not signed.”

Ms. Fertig stated “It was alarming to read that one employee made over 80% of their salary in overtime.”

Mr. Reilly stated “I researched that and this was an individual whose annual salary was approximately \$20,000. Their secondary job was a more lucrative job with the After School Care Department. This was not improper. When an individual has a second job, depending on what union group they belong to, receive overtime pay for all hours over 40. I’ve done several audits regarding overtime. When you have a different secondary job, it’s very expensive and I’ve made that point that management should consider the cost before hiring an employee for a secondary job, when it would be more cost effective to hire an additional employee; however, it is not improper to hire an individual for a secondary position.”

Mr. Barnes asked “How often are these State audits performed?”

Mr. Reilly replied “Every three years.”

Mr. Barnes asked “When you audit the school, generally the person at that location knows what documents will be requested. Is that the same procedure? It seems to me that the State came in with their own formulas and guidelines. It seems that we did not have the same script to follow.”

Mr. Reilly stated “That’s auditing. They can look at anything they want.”

Mr. Mayersohn stated “Regarding the BEF finding, if the District has to repay funds, that will take away scholarships that would have been available to students.”

Ms. Fertig asked “On page 103, tangible personal property, this is an area where your staff has done an incredible job. It says that you don’t have the personnel to comply with the annual inventory. Can you explain that?”

Mr. Reilly stated “We have taken on a lot more. We have 5 property auditors. Our office has added processes for barcoding new equipment to ensure that all equipment is correctly identified. We’ve added the performing of physical inventories for Charter Schools that have received Bond technology funds. We do a lot of training for the locations. We look up information when there are issues of missing items. It is true that the Auditor General stated per law that every school should be audited annually. We strive to do that, but we can’t do it all in one year. That’s the finding and it is correct.”

Ms. Fertig stated “I know you’ve saved the District millions of dollars with what you’ve done and I hope they properly fund your department.”

Mr. Mayersohn asked “How many more people would you need to fulfill this requirement?”

Mr. Reilly stated “At one time, we had 32 people on our staff and we were able to do that. We now have 22 people. It makes a difference. We do what we can with the budget we have. There is a tremendous increase in our workload with the Charter Schools. The time spent by our staff to deal with terminations of Charter Schools is massive. There’s always something additional that we are doing. There are over 100 Charter Schools at this time.”

Mr. Mayersohn stated “I would like to make a motion to recommend the School Board consider increasing the Chief Auditor’s staff by six for the next fiscal year.”

The motion was seconded and added to the motion to transmit.

Mr. Herbst stated “I see in this report there are management responses from the Office of the Chief Auditor. To me, that clearly compromises your independence. There should be no auditor’s section in management’s responses. I think it’s perfectly appropriate for the Audit Committee to be discussing and entertaining this particular audit, but I don’t think any of the questions should be directed to you. These are questions for the Superintendent and staff to be answering. This is not an audit that the Chief Auditor conducted; it’s not an audit where you have any responsibility for the answers, management responses, anything of that nature. This came up several years ago when we were talking about the position of the Chief Auditor. I was on the same page as Mayor Seiler in trying to elevate the independence of the position, and these are the types of things that concern me. I really do think this is putting you in a management type role when you’re asked to participate in crafting responses to external parties and it gives you the appearance of being part of management, which you clearly are not supposed to be.”

Mr. Reilly stated “I agree. There’s a fine line that I’m dealing with all the time.”

Dr. Lynch-Walsh stated “Since Finding #1 involves the Legal Department, in the past, were there procedures saying that these expenses be reviewed by the Legal Department prior to being paid?”

Mr. Reilly stated “That question would have to be answered by Dr. Balasubramanian.”

Ms. Fertig stated “A motion was made with two recommendations; the first was to increase staffing in the Audit Department and the second was that departments respond to the individual findings, rather than the Chief Auditor.”

Mr. Reilly stated “Each department did respond to the findings. The only findings that I responded to was the areas that I am involved in, such as the procedures when terminating Charter Schools. We are involved in that and we are responsible for completing all Internal Fund and Property audits on an annual basis. That’s why I responded to those. I agree with you that we are not management.”

Mr. Herbst stated “For example, when you talk about the Charter School terminations, I think that response should have come from the Superintendent.”

A motion was made to transmit as amended. Motion carried.

Other Business

CM @ Risk Contracts

Mr. Reilly stated “We added this item. There was an April 12, 2016 workshop discussing delivery methods for the projects under the Bond program. There was a request by Ms. Donna Korn for the Audit Committee to review the CM @ Risk contracts along with the Miami-Dade School District contracts and the RSM (formerly McGladrey) contracts. The Board is looking at using that delivery method again. Back in April, we were using the Design Build method for many of the projects, but now there’s an interest to switch over to the CM @ Risk for some projects. McGladrey redlined and improved the contracts and submitted them to our attorneys for review. Mr. Rob Chomiak and Mr. Rob Corbin are here from Heery International, the District’s Project Management team for the Facilities area.”

Mr. Chomiak stated “On April 12, 2016, we presented our recommendations to the Board to add CM @ Risk as a delivery method for the District. Based on their response, which was positive, we have been working diligently to get a contract in place. We first wanted to evaluate the two contracts mentioned earlier along with some others that we are looking at. Our recommendation was to use the Miami-Dade School District’s contract as a baseline. We looked at the previous contract that McGladrey redlined years back. The two are obviously different. It’s almost a tossup of which would make the better contract, but we felt that since the Miami contract had already been in use and we were at a point where we could get feedback on those contracts, we felt that the current marketplace is familiar with those contracts. We submitted that to the District’s legal counsel as well as outside counsel, Becker and Poliakoff, who is working with us on reviewing language, etc. We’ve gotten through that first iteration with them. The next step will be to make another iteration incorporating their comments, etc. I believe McGladrey is also reviewing the contract as we proceed. We hope to have a document by mid-May that will be ready to go and we can use it for the first set of CM @ Risk projects and get that to the Board by the June 15 Board meeting for approval. I hope to have a fairly complete draft of the second iteration by the end of next week.”

Dr. Mack asked if anyone was present from the General Counsel’s office.

Ms. Fertig stated “No.”

Dr. Lynch-Walsh stated “A year ago, we asked for the CM @ Risk contract. We were told 8 months, then we were told 4 months. That never happened. It’s a year later. We haven’t seen it. By the timeline you just gave and based on our next meeting date, the Audit Committee will not be seeing the CM @ Risk contract prior to its going live. Does it mean nothing that we’re supposed to see the contract? Wouldn’t someone, if not Heery, I’m thinking the Superintendent, if you want to put out a delivery method that is fraught with all sorts of controversy between the poor implementation here in the past and the poor implementation under the current Chief Facilities Officer in Houston, and you have the Audit Committee who was supposed to see what was implemented months ago, is there no one who’s accountable, which is that you’re not going to get the blessing of the Audit Committee, because by the time we see it, you would have already used it on something that’s about to go out the door.”

Ms. Fertig read an excerpt of Dr. Mack’s comments from the April 2015 minutes ‘I’m suggesting, Mr. Superintendent, that the contract go back before the Board because the next Construction boss that comes through here may like it and may be competent to run it. I think we would be remiss to not have such a contract in our files.’ Reviewing the history and the fact that McGladrey found

fourteen items that needed to be included in our contract. Now you have a Miami-Dade contract that you're using. Are you including those fourteen critical items and is there a timeframe that will allow us to see the contract to review those fourteen items?"

Mr. Rob Corbin stated "Yes. We are going through every one of McGladrey's changes and ensuring that they are addressed in the new document. All issues that they raised will be covered. From a timing standpoint, we do want your review and feedback. For us to get this on the June 15th Board agenda, we have to have the document posted almost a month ahead of that meeting. We can continue to review that document and have it 90% ready by mid-May. By the time we get to the June meeting, we will still have time for it to go out on the street for procurement. We can make changes via addendums to the RFQ at that time. We really have time. How is the best way to involve you in the review? If we need to change our timeline, then we'll do so."

Dr. Mack stated "I don't think it's realistic to expect this at the June meeting."

Ms. Fertig stated "Our next meeting is on June 16, 2016 and this would be on the June 21, 2016 School Board agenda. We would see this 5 days prior to its being posted."

Mr. Reilly stated "The idea is to come up with an instrument that the District will use. Ms. Korn stated that they would like the Audit Committee to look at the contract."

Dr. Lynch-Walsh stated "There is no workshop planned for this contract. We only have one shot at our next meeting to review it, which is the exact opposite of what we were trying to accomplish when we asked for it a year ago. This is not on you guys, it's on the Superintendent, because he knew that it was supposed to come back here. You have the Audit Committee who hasn't seen it. What we were looking for was a side-by-side comparison. There doesn't seem to be time to address concerns, unless you're doing them as an addendum after the fact, because there won't be time. Mr. Bobadilla was hired on October 20, 2015. Mr. Mayersohn asked in April 2015 'regarding the fourteen items related to the CM @ Risk contract, the Office of Facilities and Construction states it's not a priority. McGladrey said it was a priority. Is it or is it not a priority for the District?' Mr. Robert Runcie stated 'it would be a priority if we were engaging in work where we had to use that particular contract. At this time, it's not being used.' When you hire a guy from Houston who used CM @ Risk almost exclusively, it just became the delivery method of choice. Sometime back in October, someone being a little proactive who runs the District, would have asked the Office of Facilities and Construction for a CM @ Risk contract. Here we are at the end of April and everyone's in a mad dash. When was it going to become a priority? It became a priority to use CM @ Risk; it just wasn't a priority to have the Audit Committee review it."

Ms. Fertig stated "Keep in mind that these projects that they're anticipating using it for have been bid under different delivery methods and did not receive bidders. Is that correct?"

Mr. Chomiak stated "Correct."

Ms. Fertig asked if the Committee could have a special meeting.

Ms. Mayersohn stated "I would not be comfortable moving anything forward until McGladrey has a chance to review that contract. If that means having a special meeting, I'm willing to participate."

Ms. Fertig asked if the contract could be ready by the end of May or beginning of June.

Mr. Chomiak stated “Yes.”

Discussion followed about holding a special meeting at the end of May.

Ms. Fertig stated “I think Ms. Meloni said that McGladrey was on board, so hopefully, they’re involved in the conversations with Becker & Poliakoff.”

Mr. Chomiak stated “No, McGladrey is not. We are working with them.”

Ms. Fertig stated she would let Mr. Reilly work out the details for the special meeting.

Dr. Mack asked “Do we need anything from Legal for this contract?”

A motion was made to have a special meeting when the contract was ready for review. Motion carried.

Meeting adjourned at 2:50 p.m.