

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

MINUTES OF AUDIT COMMITTEE MEETING

March 23, 2017

Ms. Mary Fertig, Chair, called the Audit Committee meeting to order at 12:30 p.m. at the Kathleen C. Wright Building in the 1<sup>st</sup> Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Moses Barnes  
Mr. Brendan Aloysius Barry, Esq.  
Ms. Mary Fertig  
Mr. Kirk Frohme  
Mr. John Herbst  
Dr. Henry Mack (attended by phone)  
Mr. Robert Mayersohn  
Mr. Andrew Medvin  
Mr. Daniel Traeger

Staff Present:

Mr. Robert W. Runcie, Superintendent of Schools  
Dr. Valerie Wanza, Chief Officer, School Performance and Accountability  
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  
Ms. Meredith Filcman, Manager, Operational Audits, OCA

**Agenda**

A motion was made to adopt the agenda. Motion carried.

**Minutes**

A motion was made to approve the minutes from the February 2, 2017 Audit Committee meeting. Motion carried.

**Follow Up Item No. 1 – RSM US LLP – Management Letter for the Year Ended June 30, 2016**

Mr. Patrick Reilly stated “The Committee had requested information as to the sample size used when testing user access throughout the District. There were eleven in the sample. The one school, Fairway Elementary, did not show any evidence of review and approval by IT, and that was the issue.”

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

Mr. Reilly stated “There were 20 Internal Fund audits performed. All twenty schools complied with the policies and procedures related to operating 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 16 property and inventory audits. A total of 12 locations complied with prescribed policies and procedures. There were 4 locations in the report that contained some audit exceptions consisting of unaccounted for property and failure to follow some prescribed procedures. Business Practice Bulletin O-100 Procedure for Property and Inventory Control outlines the policies and procedures that govern property and inventory control. For the 16 locations, 14,175 items were listed in the property records at a historical cost of \$14,980,342. For the 16 locations included in this report, a total of 114 items could not be accounted for with a historical cost of \$192,752. For the 4 locations with exceptions, the findings were due to non-compliance with procedures. Specifically, surplus equipment procedures were not followed to ensure that items surplussed were properly removed from the Master File Database. We also noted that some of the schools had new found equipment that had not been added to the Master File Database by the schools. We are emphasizing the importance of performing the semi-annual self-inventories to ensure that the District’s property records are accurately maintained and up-to-date.”

Mr. Moses Barnes stated “Regarding the reoccurring issues with property being surplussed from one location to another and getting to the warehouse, it seems that when we are sending property to the surplus warehouse, it should be handled in the same manner as having a product delivered to your home. It seems to me that the schools are putting these items in a set location, the warehouse person comes and loads it up and says ‘here’s the paperwork’. It should be checked off before they leave the location. Then when they get to the warehouse, it shouldn’t be an issue.”

Mr. Reilly stated “I think the problem is that the school has everything ready to be surplussed; all the paperwork is done, and then the school decides to add a couple of other things and the paperwork is not completed. The items go with that order, but the paperwork is not updated. The department responsible for removing the items from the schools’ inventory will not remove the items unless they have the proper paperwork. There is an Optispool Report that is sent to the locations to notify them when items have been added or removed. The locations need to verify this information. If the location knows that they surplussed an item, but it is not removed from their Property Inventory Database, that is a trigger that they should contact Accounting & Financial Reporting-Capital Assets. That should be caught way before our auditors come out.”

Dr. Henry Mack stated “There are procedures to deal with that, but the schools are not adhering.”

Mr. Reilly stated “Most of the schools are doing it right.”

A motion was made to transmit. Motion carried.

**Internal Audit Report – Current Status Review of the Auditor General’s Report 2016-180 – Broward County District School Board Financial and Operational Audit for Fiscal Year Ended June 30, 2015**

Mr. Reilly stated “In April 2016, we presented the Auditor General’s Report to you. This is a current status update. We reviewed all findings and recommendations. The original Auditor General’s report contained 12 detailed audit findings/recommendations and two Federal Award findings. Our Current Status Report identified that six findings were categorized as Completed; there were three findings categorized as Partially Completed and five findings that were categorized as Ongoing. We prepared a matrix showing the Auditor General’s findings, along with management’s original responses and the current status update as of March 2017. The finding that received a lot of discussion was the Federal Award Finding No. 2015-001 related to Title I funds. We’ve since taken care of the finding. The original questioned cost related to Title I was approximately \$22 million. We worked with several groups and FDOE. The actual questioned costs were reduced to \$3 million. We were able to provide an arrangement where we changed the current budget to include the \$3 million to be distributed to the schools that needed to receive some of the additional funding that should have been allocated. In the report, I included a letter from the FDOE, explaining that we have met all their requirements. They also require an expenditure report as of June 30, 2017. Some of the other findings were related to payroll, the Virtual Instruction Program, Facility Inspections and Charter Schools. We’ve provided an explanation on what’s been done in those areas.”

Mr. Kirk Frohme stated “Related to the Federal Award Finding, the letter from the FDOE on pages 41 and 42 stated ‘the District must submit a revised Title I budget, no later than January 31, 2017, but this letter is dated March 1, 2017.’”

Mr. Robert Runcie stated “That was completed in January. I’ve had conversations with the Florida Department of Education and had them prepare this letter so we could close out this item. That’s why you see this letter generated subsequent to our meeting the requirements and having the budget submitted to them, as well.”

Mr. Frohme asked “So the resolution of the \$3 million was to allocate it among the schools, and there was no money that needed to be returned.”

Mr. Runcie stated “That is correct. There are no penalties, no dollars to be returned. Typically, we have carry-over dollars for Title I. We don’t actually expend or allocate all the dollars. It’s somewhere between \$8 and \$10 million that’s in carry-over. The Committee is to take about \$3 million and reallocate it among the Title I schools, so that they fall within the necessary ranking order. It is unspent Title I money that will be re-distributed to the schools to ensure compliance with the ranking order.”

Mr. Frohme asked “And that normally would be allocated to your carry-over fund?”

Mr. Runcie stated “You try to keep the carry-over to a minimum. It’s gotten to a level now, where we need to make this distribution of the \$3.1 million”

Mr. Barnes stated “I guess what got us into this situation with the Title I money was the way Ms. Hines and her staff were calculating. What they did to get us there, is that now acceptable practice with FDOE or are we going with what they recommended?”

Mr. Runcie stated “We are ensuring the FDOE that we continue to monitor and ensure that Title I funds are distributed in a way that we maintain the ranking order, which is why they asked for the report in January, to ensure that for the current year we were meeting that requirement.”

Mr. Robert Mayersohn asked “Are you satisfied with the current status of the findings. There were five findings categorized as ongoing and two that are partially completed. Are you satisfied with the progress?”

Mr. Reilly stated “Yes, they are all underway. There are several where we have to let the year play out, because some are based on completion within a year’s time.”

Mr. Frohme asked “Do you have a timetable to revisit these items again and report back?”

Mr. Reilly stated “Yes, for the 2011-12 fiscal year Auditor General’s report, we ended up having three current status reports. We continue to follow up on items that are not completed.”

A motion was made to transmit. Motion carried.

Meeting adjourned at 1:05 p.m.