

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

MINUTES OF AUDIT COMMITTEE MEETING

August 9, 2018

Mr. Moses Barnes, Audit Committee Chair, called the Audit Committee meeting to Order at 2:00 P.M. at the Kathleen C. Wright Building in the 1<sup>st</sup> Floor Board Room. Members and Staff were introduced.

Members Present:

Mr. Moses Barnes, Chair  
Mr. Robert Mayersohn, Vice Chair  
Mr. Brendan Aloysius Barry, Esq  
Mr. Anthony De Meo, CPA  
Mr. Andrew R. Medvin, CPA  
Ms. Phyllis Shaw  
Dr. Natalie Lynch-Walsh  
Ms. Mary Fertig  
Ms. Rebecca Dahl

Staff Present:

Mr. Jeff Moquin, Chief of Staff  
Dr. Valerie Wanza, Chief Officer, Office of School Performance and Accountability  
Ms. Judith Marte, Chief Financial Officer, Office of the Chief Financial Officer  
Mr. Maurice Woods, Chief Strategy & Operations Officer, Office of the Strategy & Operations Officer  
Ms. Mary Coker, Director, Procurement & Warehousing Services  
Mr. Max Rosario, IT Classroom Tech  
Mr. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)  
Ms. Ali Arcese, Manager, Property and Inventory Audits, OCA  
Ms. Ann Conway, Manager, Internal Funds Audits, OCA  
Ms. Meredith Fileman, Manager, Operational Audits, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA  
Mr. Jonathan Tolentino, Confidential Clerk Specialist C, OCA  
Mr. Gerardo Usallan, Manager, Operational Audits, OCA  
Ms. Merlin Butler, Inventory Audit Specialist, OCA  
Ms. Ashley Acevedo, Inventory Audit Specialist, OCA

Guests Present:

Mr. Dan O'Keefe, Partner, Moore Stephen Lovelace Advisors  
Mr. Eddy Castaneda, Manager, Moore Stephen Lovelace Advisors  
Ms. Tanya Davis, Partner, S. Davis & Associates, P.A.  
Mr. Kevin Adderley, Manager, S. Davis & Associates, P.A.

A motion was made and seconded to approve the Agenda for the current meeting. Motion carried.

## **Old Business**

### **Minutes**

Mr. Barnes made a request for any corrections to the Minutes of the May 10, 2018 Audit Committee Meeting. A motion was made and seconded to approve the Minutes of the May 10, 2018 Audit Committee meeting. The motion passed.

## **New Business**

### **Report of Moore Stephens Lovelace, P.A. – Audit Planning Communications 2018**

Mr. O’Keefe stated, “You should have a document on page three [of the Agenda Item two] called Required Communications Under Government Auditing Standards. I’ll start with that schedule. We were contracted before the end of the year and we were able to get our planning done. We are waiting for staff to close out the records for us to do our year end field work, which will start in October. The plan is to have the draft of the Comprehensive Annual Financial Report to the Audit Committee in November. It should be pristine. There shouldn’t be much that has to be done to it. We are looking for any feedback or questions you may have and finalize the document to go the School Board in December and filed with the Government Finance Officers Association by December 31, 2018. This is a requirement to meet the financial reporting certificate of achievement that the School Board participates under. As far new standards, this year is the GASB 75, this deals with other post-employment benefits (OPEB). There have been some prior standards out there that requires a lot of disclosure related to OPEB as they call it also a recording of its amortization of a ten-year period. This standard looks a lot like the pension standard and require the entire liability to come into the School Board’s financial statements. In the current period the entire liability will be reflected in the financial statements. At the top level you will see everything consolidated and you will see the liability. For the School District the liability is not an actual type liability that you would pay out. As a post employee benefit implicated rate calculation, the theory would be that it is statutorily required that individuals that retire from a local government in the state of Florida would still be able to participate in the entities health care plan. Even though one-hundred percent of it with having an older population in the health care plan theoretically is what drives up the cost of the plan. The implicated rate differential is what’s calculated by the actuary, this is the liability associated with it. I think it is a bit over kill but it is required. There is nothing else that is going to impact this year’s related financial statements. We laid out the current standards, there is a summary and the dates that they will be implemented going forward in the future. The OPEB is the big on that staff will have to get the reports they need to do the entries necessary in the financial statement and required disclosures. On page five, a couple new auditing standards dealing with the auditor consideration of the entities ability to continue as going concern. It doesn’t really impact us because the state’s requirements are doing final condition assessments

and goes one step further than what this standard requires. This is going to impact your commercial style entity's local government, I don't see a major issue here. The other audit is involved with exempt documents and the audit needs to get certain representation if they are associated with tax exempt. I don't really see an impact with this audit. The current year game plan which is based on what we have done in the interim work, one of our segways into that is focus on information technology. Our IT specialist has already been interacting with the technology department. We are going to be doing a lot more work with this audit."

Mr. Castaneda stated, "On page six, the internal auditor work with Mr. Jabouin allows the external auditor to rely on some of the work the internal auditor does depending on they if they meet certain criteria. We would evaluate that criteria to what would make sense and wouldn't make sense and to incorporate their procedures into our audit and to have the most proficient procedures going forward. The things we would evaluate in holding our meetings with the internal audit department, is providing access to their work papers, reviewing what they did and whether or not they have the required peer review reports and if they issued audit opinions or not. I believe they do in the internal funds issue an opinion on that we would evaluate those controls as well but, that's an on-going process that happens through out the entire audit, depending on what projects they are to be issuing reports on. Below that is the significant audit and financial reporting issues identified, these are a brief overview of the areas we will hit upon and do the majority of our testing. It lists as an educational technology, number one is internal controls and evaluate those internal controls and test them at they relate to the districtwide controls, financial statement preparation, capital assets and accounting, project tracking, any big projects in the facility department, investment policies debt there were a couple refunds done on your police department in the past fiscal year. "

Mr. Castaneda also stated, "We will look at payroll processing which is an area with the majority of expenditures. This is the year we might see an increase in those expenses because of the overtime for Hurricane Erma which would be in this fiscal year. We will look at that specifically and other areas of that position and budget compliance as well as compliance with contract laws and regulations and grants and agreements. if they come to our attention but, the Auditor General will be doing the single audit. It goes into the detail of what the auditor's responsibilities are verses management's responsibilities, in terms of what an audit goes by."

Mr. O'Keefe stated, "The Auditor General is doing the single audit this year in the District, they audit every third year which includes the financial audit and single audit. This District allows us to do the financial audit and they still review our work and rely on that work. They will do all the procedures surrounding the single audit, this is because the District participates in the certificate program. They can no guarantee they can have the audit done by December 31<sup>st</sup> to file with the Government Financial Officers Association, so they allow them to do that."

Mr. Medvin asked, "For all purposes, I haven't worked on an audit in over thirty years and I understand a lot has changed, are your procedures based on a static sampling or more detailed. How do you mix what your doing with the results?"

Mr. O'Keefe replied, "It's a risk-based approach that's the way the standards are written. You must do a level of testing to give you a comfort to say there's a low risk of material misstatements

with in transactions. There shouldn't be any material misstatements with in the transaction. You get to the point where there's no errors in the transactions that would be difficult to do. Our sample sizes vary based on what we're testing. We may stratify those samples in terms of going with large items to get big dollar coverage. Then a small sample of smaller items to see if anything has fallen through the cracks.'

Mr. O'Keefe also stated, "On the payroll it's complicated because of all the union you can't do a traditional payroll test on that it's a lot of data mining, we use a product called Ideal. We take thousands of transactions and bring it into the software and look for abnormalities. How we test each area of the financial statements is going to vary from part to part. We document that within our procedures."

Mr. Castaneda stated, "We do test the individual's transactions I take one of the employee's payroll and trace it all through out the process, what their payrate was, was it approved by the proper personnel, calculation of the hours, were the time sheets signed by the appropriate individual, did it post to the District's general ledger correctly by a high level overview, and are the controls in place and working as intended. It's a mix of both depending on the overall risk of the District."

Mr. Barnes asked, "Any additional questions from the Committee?"

Dr. Walsh asked, "On page six, budgetary compliance and accountability, explain what you are looking for there?"

Mr. Castaneda replied, "We do a comparison on what the Florida Statues requires two-hundred and forty-one School Districts and local government entities. What kind of budget restrictions and process they go through to make sure they are in accordance with Florida statues do you have the proper dates set out, did you hit those dates, was it properly advertised, was it reviewed, was that budget sent to the state, did they approve it, test any budget amendments or transfers individually done through out the year, make sure it went through the proper channels, who authorized it what it was for, did it change our over all budget, was it just transfers within the line items, taking from one and moving to another, and not changing the overall budget. That's what the Florida Statues and Auditor General requirements are."

Dr. Walsh asked, "That's compliance but, as far as accountability do you look at things as to the budget amounts are reasonable and follow best practices?"

Mr. Castaneda replied, "Best practices yes whether or not they are reasonable depends on the level of review. We don't get into management's rationale for those types of budgets. We make sure that it goes through the proper channels set up in your internal controls. If we have budget estimates that are based off of 2014 needs assessments rather than current information about current cost related to those items you don't look at. No, we wouldn't get into that level of detail."

Dr. Walsh asked, "There's no mechanism that you might make a recommendation to update the budget expense to reflect current cost or current estimates in the GOB. Are those estimates expected? Where they got approval by the School Board for significant amounts. They are still based on 2014 estimates not detailed project budget recommended by the department of education. As far as best practices go, the concern is that all of a sudden the budget is going to be blown

because we are not keeping up with the budget of what things actually cost. Atkins is the cost programs controls the manager. The last time they did cost analysis using the Monte Carlo analysis was in December 2016 and January 2017 to the best of my knowledge nothings been produced with updated information that would determine the current risk facing the bond program. At the time the worst-case scenario was \$464,000 over budget potentially based on nine percent in design and one percent in construction. It's now one and a quarter year later surely there is more in the design. They would have scopes and budgets better defined and able to quantify the risks associated with the bond program. Your saying your audit does not look at the GOB budget.”

Mr. O’Keefe replied, “Once the budget is adopted by the School Board it becomes a legal document that legal document is what we test and that’s what were responsible for under our audit standards. Could this Audit Committee recommend a more detailed look at the budget in terms as how it’s developed and how it’s put together to go to the School Board? That might be an excellent project you could do.”

Dr. Walsh replied, “Okay, that sounds like a great idea.”

Mr. De Meo asked, “It’s great to see that the S. Davis firm was involved in the audit. Can you estimate the number of hour that internal audits will be involved with the external auditors?”

Mr. O’Keefe replied, “They are not going to be working underneath us. We review all of there reports and make inquires about there reports in depth of the testing they did. We don’t want to duplicate what they did we want to keep it fresh as possible in the audit process but, if we may rely on what they did and think its substance enough and a direct relationship as to what we are doing.”

Mr. De Meo asked, “Do you rely on the automated controls and test the application in general controls, so that you can rely on automated controls?”

Mr. O’Keefe replied, “Yes, that’s what our Information Technology Specialist does do a full evaluation of general controls of you IT system. They drill down into the application controls that have a relationship to the accounts that are in the financial statements. We like to do a risk assessment that is no required to security as well, its beyond the audit but, it’s our style.”

Mr. De Meo asked, “On page eleven, could you give examples of the technical advice that you incorporate from the Auditor General in the procedures. The Auditor General put out a compliance supplement that all auditors of the School District must follow it, a document they produce. We have to incorporate that into our audit procedures and test each specific item and then report on it in our management letter, even if we don’t have any findings. We have to say that we did it and if we have findings we have to report them. Most of these items are not going to have a direct or material impact on the financial statements, that’s why they come up with these procedures. An auditor wouldn’t look at them because they are no substance to the financial statements but, because they want them looked at as a standard from year to year. They require us to do it.”

Mr. De Meo asked, “Could you give us one example of what those might be?”

Mr. Castaneda replied, “The School Board, District payments by statute there is a limit to what those School Board members need to get paid, its by geographic area. They require us to look at that, it is not necessarily related to the overall scheme of your overall financial statements. The Capital department lays out your procedures in place. There is an annual inventory account as part of our procedures. Sometimes they do a line and there are some other examples, like the School Board members, where its outside of what we would normally look at as an audit.”

Mr. De Meo asked, “How about investment policy statement compliance?”

Mr. Castaneda replies, “That’s a big one. We issue a separate report with your compliance of Florida statute investment policies.”

Mr. Barnes asked, “Any additional questions to the report? Thank you, gentlemen.”

M Barnes stated, “I would like to introduce the new Chief Auditor, Joris Jabouin”

Mr. Jabouin stated, “Thank you Chairman Barnes. I am Joris Jabouin and I am the District’s new Chief Auditor. I started with the District on June 4<sup>th</sup>. Prior to working for the District, I was the Chief Auditor for the Massachusetts Port Authority. That organization runs the large airport in Boston and two smaller airports elsewhere in Massachusetts. They run as well as the seaport and real state in the Boston area. While I was there, I was the Chief Auditor and reported to a committee similar to this one. I also reported to the Chief Executive Officer, which would be equivalent to the Superintendent. I was responsible for all things related to auditing: they had big construction program that we audited and we also audited for compliance with federal grants, state grants, and local grants and private monies as well. The organization itself was audited from its accounting to internal controls over financial reporting, to information technology, and operations. All risk areas were audited as part of our program. I worked with a variety of law enforcement organizations at the federal level, state level and local level as well. I worked there for 6 years as the Chief Auditor. Before that I was the Chief Auditor for the Burger King Corporation. I was responsible of all aspects of the audit program similar to the Massachusetts Port Authority. The organization itself, the restaurant environment, and the construction projects were all subject to our audit procedures. Before Burger King I was the Chief Auditor at BankUnited, which was my client when I was at PricewaterhouseCoopers. It was the predecessor to the current BankUnited, which was the largest Bank in Florida at the time. At BankUnited the big risk areas there were the lending portfolio as well as the branch network. Before BankUnited I was the Chief Auditor of another PricewaterhouseCoopers client, Dresdner Bank, where I was responsible to audit all activities in the Caribbean and the northern part of South America as well as Miami. Before Dresdner, I was at PricewaterhouseCoopers auditing financial services and manufacturing clients. Before PricewaterhouseCoopers I started my career with the Federal Reserve as a bank examiner. I am a local person. I am originally from Haiti and my family moved to New York and then we lived in South Florida since 1979. I am a graduate of the public-school system in Miami Dade County. I have a Bachelor’s Degree and Master’s Degree from the University of Miami. I look forward to serving the Committee, the Superintendent’s office, the School Board, and the citizens of Broward County.

From an audit stand point a lot of what I practice was successful at the Massachusetts Port Authority. I brought a lot of Corporate principals in a governmental environment. I believe in looking at the root cause of issues and work with different areas of the organization to make it better I am always analyzing processes and potential gaps in the processes. For example, we will talk about property and inventory later. But that's an example of where there are findings across the board amongst different audit reports. Now it is time to look at the process from beginning to end. That is what I have done much in my career, so I will be careful to analyze the areas to perform a good quality audit and creating a good robust audit program that is through and proactive and identifies the small issues that potentially become large findings. But we will bring in other people that have responsibility and build a process together to make the organization work well. I am hoping to bring in some of these principles here as well. When we look at finding it's a good idea to assess if it is a one-time finding or if it is a systemic finding what are the controls are missing or need improvement. Is a resource issue? Is it a policy issue? Are there any fraud concerns? I am the type of person that's going in to look at a finding from the top to bottom and identify what is the best path to cure it across the organization. I want to make sure our reports have the right tone. That they truly reflect real findings. My initial priorities are to build a program for the auditing the District's discipline policies and student code of conduct. But there are other areas too such as internal funds audits, property and inventory audits and the upcoming findings of the Auditor General as well I am looking forward to working with management team and take care of these matters and more."

Mr. Barnes asked, "Any other questions you have before we proceed with the agenda of our Chief Auditor".

Ms. Fertig stated, "I like your approach of process and reviewing on how we can make the things function better. I have been on the Audit Committee for 10 years. Could we have a refresher of what we have in place for tracking those findings, so we can make sure that we are focused on processes that will address any short falls?"

Mr. Jabouin replied, "I can tell you on how I plan to do that as I am not too versed on how we perform follow up now. When an audit is issued we not only would perform a follow-up audit at a later time but would also perform ongoing follow up that would be documented on a spreadsheet of the findings from the different audits. I have always had a score card of how many findings there are now and how many that have been closed and how many that haven't been closed. Some of the findings cannot be cured immediately and some findings require several steps. So just because a finding is not closed it doesn't mean it's not in process. From a higher level that's what I have typically done. A top running audit function needs to have an ongoing follow-up process to be effective so we will have an ongoing follow up process."

Mr. Barnes stated, "Number four on the agenda addresses the Audit Plan for 2018. Let's move to agenda item number four: The Summary of Audit Activities for the 2017-2018 fiscal year and proposed Audit Plan for the 2018 -2019 fiscal year."

Mr. Jabouin stated, "In accordance with School Board policies I have created an Audit Plan for 2018 and 2019 I have also summarized some of the work performed by the Office of the Chief

Auditor during 2017 and 2018. Starting on page three I want to highlight some of the areas that the Office has worked on throughout the past fiscal year. With respect to facility audits we were able to complete the audit of the termite extermination contract and we also reviewed the construction-manager-at-risk contract language used for the external consultants as well. We continually perform internal funds audits such as the ones that we will discuss later as agenda items five and six. We also looked at the registration system at the technical colleges as well. We participated with teams across the District on the controls regarding the internal funds. Work was done with the payroll at different schools by looking at the rosters of the individual's hours the days that employees work. We did have some findings and a process solution that we will talk about a little later when we review the internal funds report later. Moving on to page five looked at the procedures for inventory and property. On page six we noted our operational audits with respect to the parking lot contract between the School Board and City of Fort Lauderdale. Also, on page six and into page seven we noted our Charter Schools work with the portfolio services department on reviews of the financial statements of the Charter Schools and forensic reviews that we performed on those schools. On page eight we noted that the team worked on projects with MSL and also on the audits and investigations of different law enforcement organizations. On page nine we noted the many inquiries from the public with respect to our work. The Audit Plan for 2019 starts on page ten. Part of the new audit program for next year for the Office of the Chief Auditor will be the completion of a formal risk assessment. Audits such as the Beacon audit would be automatically be a subject area due its likely significant rating on a process that is likely to be a mix of qualitative and quantitative factors. The proper risk assessment process for an auditor would be to look at the processes from top to bottom and try to identify the different audit subjects across the organization. It requires a lot of analyzing and sometimes it data, general ledger it also involves imputing from the different departments as well to identify what they view as risk at the end of the day you have a ranking that what's going to drive your Audit Plan you should be looking at the higher risk areas and the medium risk areas that low risk you may not get around to but you may need to look at the low risk areas because a lot of low risk areas can add up to high risk matters."

Mr. Jabouin stated, "There is a process to doing a risk assessment which will be part of what I do to create the plan I will submit to you for next year. Due to the timing of my hire date versus the timing this meeting, this year I relied data from last year and brought it current to compile this year's plan. With respect to the Facilities audits discussed on page ten we plan on doing the follow up audits on prior audits and then also performing ongoing follow up procedures, which will be part of what we typically do. We have new work and follow up work with the Facilities area as well after we hire our new facilities audit manager. With respect to internal funds audits discussed on the bottom of page ten we will continue to do those audits, but we have a bit of a backlog. I'm currently strategizing on how we will do that. Ms. Conway and I met and have created a plan that would allow us to catch up on those audits. The Auditor General has written up the OCA on this issue and they have expectation that's different then the past on the requirement to complete those audits. We will have a meeting with them so that we understand their expectations so that we can comply with the internal funds audit requirements. Regarding Property and Inventory Audits plans discussed on page eleven we will continue to perform these audits. However, we also have a backlog. Item three of page eleven is where we discussed our plans to work with Mr. Woods's

SIM team on reviewing the entire property and inventory process from top to bottom. Ms. Marte will also assist in this evaluation of the Property and Inventory process. Our planned Operational Audits are discussed on the bottom of page eleven and into page twelve. Page twelve is where I discussed our plans to audit of Student Code and Conduct Discipline policies and the follow up of BECON audit. Page twelve also discusses our plans for and the Charter Schools. On page thirteen, I discuss our planned work with Moore Stephen Lovelace and the S. Davis firm with respect to the CAFR as well as any potential work we would have with any law enforcement organization as well. On page fourteen, I discuss various other responsibilities on items thirteen through seventeen such as liaising with the various Chiefs on the Superintendent's Cabinet and ensuring that our internal audits are risk focused and they help the District achieve our goals. We will ask ourselves whether our internal audit procedures are the the most effective way to do the audits. We will be looking at the audit report process to build a continuous improvement model to become a top tier audit function. I feel I can do it, I've done it before with the support of the organization which I feel that I have. On page fifteen I discussed some of our long term planned work in human resources and information technology areas as well. Lastly, we have a snapshot of our organization and team members on page seventeen."

Mr. Barnes asked, "Any questions from the Committee?"

Mr. Barry stated, "Welcome Mr. Jabouin, I look forward to working with you in terms of special assignments. Going forward one of the things we asked for last year to be included this year was an audit of the Sunpass tolls and mileage used of District vehicles used on the highways. I ask that this is to be included in the audits this year."

Mr. Medvin asked, "On page sixteen you have three open positions of auditors?"

Mr. Jabouin replied, "Correct".

Mr. Medvin asked, "Where do you stand on getting these filled? You are limited on what you can do if you don't have staff."

Mr. Jabouin stated, "One of the positions is for my Secretary. The interviews for that position begin tomorrow. The Facility Audit Manager interviews start on August 20<sup>th</sup> and the Inventory Auditor recruitment paperwork was just signed and we will get the recruitment for that position going shortly. In summary we are proceeding with our three open positions. We expect to hire all three, but we are behind in our search process simply because the department was waiting for my arrival in June before starting the search for the Secretary and the Facilities Audit Manager because they report directly to me and they wanted to me to make the hiring decision."

Mr. Medvin asked, "Under the Charter School Audit work do you have several or one auditor dedicated to doing this work?"

Mr. Jabouin replied, "Yes we have one manager that's dedicated to that and we have two people that we periodically bring in to assist that person from the internal funds area."

Mr. Medvin asked, “Regarding the Charter School we as a Committee don’t hear much about and don’t see the reports and It’s a critical area to the School Board and community. Can you give updates on the Charter Schools because it is not given to the public and should be.”

Mr. Jabouin replied, “I saw that as well. Ms. Conway and I went to the Miami-Dade public school website and we see that they give an update to their Committee on Charter Schools. We do a good amount of the work on the Charter Schools and we do not publicize it much. Additional Charter School reporting to the Committee is something we can put into the goals.”

Ms. Shaw asked, “What is the Strategy and time frame for the goals of the internal funds with consideration your short staff? Sometime down the road we should see a follow up, since the things came to us last year. What about the ones the internal controls were put in place and still not followed?”

Mr. Jabouin stated, “I haven’t had time to put that whole follow-up strategy together for the District but a follow up process is needed. It would include follow up audits and to perform ongoing follow ups. To continue with that thought I believe that when we follow up we have to analyze the findings. We have to look at the root cause and then curing the process has to be part of it. I know it is necessary for a top tier audit function. I don’t have the follow up processes in place right now even though I know what the goal is. I will put it on my list as this is important to the Audit Committee and the School Board. And it is important for me as I elevate our audit function.”

Mr. Barnes asked the Committee, “Any additional questions?”

Dr. Walsh stated, “The Parkland modular projects that were at Park Trails and Heron Heights: the city gave the District a couple million dollars and the project was not to exceed that couple million dollars and not cost tax payers any additional money. There was a lawsuit involved with JWR. We never heard the outcome of the lawsuit or how much work PPO did. I’m requesting a follow up to see whether the project ended up costing more or less then the funds from Parkland and by how much. The second project was classrooms for Riverglades that would be an addition. I don’t know if there was comingling, more problematic was Park Trails and Heron Heights there did not seem to be enough money from Parkland without the District eating some of that cost.”

Mr. Jabouin replied, “In my studies I wasn’t aware of those two particular projects. Is it possible for me to reach out to you when I do the work to capture your concerns?”

Dr. Walsh stated, “I’ll pull out my emails they are pretty comprehensive. It’s all Parkland classroom addition. They kept reducing the number of classrooms that were going to be built because the funds were not enough. The second addition was at Riverglades there may have been enough money for that either way both of those should be audited to make sure that the District didn’t pull money out of the work. It should have all come out of the money Parkland gave to the District. We are still behind schedule and I don’t know if they have been completed.”

Mr. Barnes stated, “I believe that when a Committee member has a concern it should be brought up so that it can be reflected in the minutes so that your desires be brought up to the Chief Auditor’s office to look into it. There should be a format at the conclusion of the meeting. I will request that when there are items that a Committee member would like the Office of the Chief Auditor to

take a look at that they go through the Committee so that we are all on the same page. What we are dealing with now are some areas you have researched and have data that none of us have because you are on other committees. We all need to be informed as to what your addressing. I anticipate is that a report be brought back to us, so we are all on the same page.”

Ms. Fertig stated, “I want to tag on to something you said. A large issue has been brought up and discussed regarding audits of PPO and if PPO dollars are supplementing other capital dollars. I agree it should be brought up in this room so that it may start a conversation with others of us who may have concerns that are related.”

Dr. Walsh stated, “My open item list has things that have been mentioned in the past. This is not the first time I mentioned it. It appears in the minutes of prior meetings. I don’t know if they have been completed. They were behind schedule it took forever to get some of the modular moved from one school to Parkland. This is just a follow up since we are beginning the year. The Title I audit the internal auditors looked at the twenty-one million dollars that has been misallocated. The follow up question is what did they actually spend it on. We know the money went to schools it shouldn’t have and we had to fix that. There are rules on what they are supposed to be spent on but, are they being spent appropriately.”

Dr. Walsh also stated, “I have a clarification question on page fifteen, the Long-Range Audit Plan-Operational Audits of Selected Activities and Controls in the Human Resource Division.”

Mr. Jabouin responded, “My thinking was we would look at the on boarding process.”

Dr. Walsh asked, “You mean the hiring process?”

Mr. Jabouin responded, “Yes. That is what I had in mind as I am somebody who’s a new hire myself.”

Dr. Walsh stated, “A couple years ago there was an issue with a facilities person at a custodial level and was being terminated because they couldn’t pass a test for their position. This discussion occurred at a School Board meeting, some questions were raised about the test and training this person who could not complete it in the timeframe allotted due to circumstances and was before the School Board begging for his job. Now, years later, did we fix the process so people could keep their positions that are not high-level positions. Not sure if this falls under the scope of this.”

Mr. Jabouin stated, “Mr. Chair the existing plan is created with the existing staff we have and anticipates some outsourcing. We will perform a risk assessment for next year’s plan. During a formal risk assessment process, I would survey various people and different people on the cabinet and so forth and get their perception of the risk of the organization and compare them with my profile of the organization. The OCA will not have the resources to do all of the areas that would likely require audit, so we would need to prioritize and rank them accordingly. Right now some of our highest priorities are the School Discipline policies and internal funds and property audits as well. These are noted to put into the program.”

Dr. Walsh stated, “We also talked about ISO certification for the District that would also capture that. We did have the resources to see if that’s feasible that would be on top of the Office of the

Chief Auditor then you would have consultants to help with that process. That would rise the top of all the process that our broken and that way your staff isn't trying to document all these processes, it would be a function of another branch."

Mr. Jabouin stated, "That endeavor is a very challenging to include that certification process."

Dr. Walsh stated, "Step one, you document all the things you're doing and then realize some of the things you've been doing don't work. Step two is more challenging. You improve the process so you don't keep repeating errors."

Ms. Fertig stated, "I was just going to add Title I. It has been a couple years now and what the Title I money has been spent on has been of interest. I'm concerned if the safeguards put in place have been successful and if not, can they be revised to make them work successfully as we go forward so that those dollars are being spent for the students that they support. And to echo what Dr. Walsh said on PPO but, they mentioned an overtime report on Hurricane Irma."

Mr. Barnes stated, "Dr. Walsh, I think the Chief Auditor should get those questions you had in writing and he can go through and determine which ones he can bring back with a more definitive answer for you. We had a representative at the last meeting Luwando Wright-Hines if you have questions to that final audit then we need to get them to Ms. Hines then she can get us something in writing to the auditor."

Dr. Walsh stated, "There should be some information from the last minutes?"

Mr. Barnes stated, "If you look at the minutes from the last meeting on the last page there were discussions on this issue. If you have further questions, please be sure the Chief Auditor gets the questions so he can respond."

Ms. Davis stated, "The finding in question right now was a finding from the Auditor General who did the single audit two and half to three years ago. They came in and did follow up and resolve the finding. In the course of last fiscal year audit, we followed up on that finding and with all findings. We found these Title I particular findings in our opinion was also resolved and we brought that to the Audit Committee when we presented the single audit."

Mr. De Meo asked, "First a request would you consider in the future the use of the internal auditors working with the external auditors?"

Mr. Jabouin replied, "We have done that in the last places I worked at. With respect to Mass Port, the audit function provided two-hundred hours to Ernst and Young to reduce the audit fee. It would be challenging to give a number of hours to Moore Stephen Lovelace right now as we're currently under staffed for our own audits. It is something we could do if Mr. Runcie and the Committee would like to do but it would mean that we would do less audits."

Mr. De Meo asked, "A risk assessment matrix I presume you boil it down to a matrix and include fraud consideration? Is that something you can share with us and now how you access the risk areas?"

Mr. Jabouin stated, "That is something I will build into it as I build next year's plan. In the timeframe I had to create this plan, I took last year's plan and tried to modify it and bring it as current as I needed to. Ideally, when you look at the audit subject areas, one of the factors you do want to take into account is fraud potential that will increase the risk and the likely hood you will select that one. That is something that will be built into the risk assessment, I haven't done that matrix yet. As part of the new audit program for next year for the Office of the Chief Auditor will be the completion of a formal risk assessment. It will be a process that is likely to be a mix of qualitative and quantitative and anti-fraud factors."

Mr. De Meo asked, "An audit of general controls applications change the access single sign on, I know the external auditors are obliged to do something. Are we going to do something to compliment? I know it is in the future plan, but currently and in the past have we done anything in that area?"

Mr. Jabouin replied, "I will say no unless my team members know something differently. We don't have anybody on the team that has the ability to do that right now."

Mr. De Meo stated, "I'm going to suggest that the Audit Committee and you consider sooner than later that we have an IS auditor certified and incorporate those minable procedures to ensure at least these change controls in effect sign on controls in effect so on and so forth application controls just the basic. On page ten perform athletic ticket inventory verification, does this include controls over in testing admission and concession sales?"

Mr. Jabouin stated, "Ann could you assist me because I think we are currently doing that now."

Mr. De Meo stated, "I would think a football game, I don't think we have much there. Is that part of the internal accounts?"

Ms. Conway stated, "Part of the athletic controls are having inventories done and having accurate inventories of the tickets in possession of the schools. We do go out and review their year-end inventories of tickets. In the past we would visit football games, basketball games, and observe the controls over the ticket taking. There has been reports done in the past that enhance the controls over ticket handling. We didn't do anything last year in that regard thou it's always a possibility."

Mr. Barnes stated, "Generally, concessions are handled by a booster club with in the school. We still have to have some accountability to the school base bookkeeper. When the school is audited that is part of concessions buying and selling is part of that process."

Mr. Mayersohon asked, "Vending Machines?"

Mr. Barnes replied, "That's all part of the internal audit."

Mr. Mayersohon stated, "I would like to go back to the point of ticket sales that I addressed to the Chief Auditor before the meeting. We have an antiquated system, there are electronic systems, Eventbrite or other systems to enhance the tracking of ticket sales and even handling the funding. In the long-term range or plan is to look at how we address the collection of funds for these events. Our ticket colleting system is antiquated."

Mr. Barnes asked the Committee, “Are there additional questions to the 2017-2018 Audit Activities or the 2018-2019 Audit Plan?”

“Mr. Chief Auditor this is the issue I have with your plan it looks like one of these canned ones again. You already admitted that you, basically took the plan that was already in place and my issue is that I believe you should have some timelines on what you are going to do. There is no way you are going to accomplish everything you have in here. You said the audit department was no able to complete all of the audits they should have done last year. I hear you say you are going to do all these great things, you don’t have a timeline and you still have the same staff. You need to consider what you say you are going to do that you didn’t do last year with the same staff of twenty-two people. I think you need to say this is what we are going to do in 2018-2019 and try and get a timeline because you can’t do this all in one year, that’s my only comment.”

Ms. Fertig stated, “For at least five years we asked the School Board to increase the staff of this department and we put a formal motion. With Mr. Moquin here I would like to say again this department has saved the District so much money and the opportunity to improve upon that is always there. With more staff you may be able to complete your reports. I know you have three open positions. I would like to put forth that motion we would like to see additional staff for this department.”

Dr. Walsh asked, “Do these two open positions include two or we need to add two more people?”

Ms. Fertig stated, “We are asking for additional staff not just to fill the open positions. We did this because we saw how many things got added to this department just in the course of everyday life. It would become more difficult to complete the audits you routinely do. If they don’t have the staff to complete their work and they are going to have additional responsibilities, we make a motion that you are able to increase the number of auditors.”

Mr. Barnes stated, “My preference would be to have the auditor take a look at what needs to be done and then what the open positions he needs.”

Mr. Jabouin stated, “One is a Facility Manager, one is an Inventory Audit Specialist and one is my secretary, those are the three open positions now.”

Ms. Fertig stated, “In the past the chair has reported to the School Board in August or September at the end of the year. We ask that the staff of the audit department be increased and carried that forward to the School Board via the chair at the annual report. It’s hard for you to ask your staff to be increased when you just got here. For those of us that have been here and seen the work that has been done and how much more could be done if you had appropriate staff, it’s not hard for us to make that request.”

Ms. Shaw stated, “I think it is premature to put a number on the staff he needs, first he needs to evaluate his staff and see if he needs more then we sandwich him into that number. I would rather it be open looking at the huge list. He needs to put the number of staff he needs, and we put forth the motion and saying there is a great need.”

Mr. Barnes stated, “It’s been properly moved and seconded and seconded that we recommend to the School Board that the audit department be allotted two additional positions for auditors for the 2018-2019 school year. Additional questions to the motion?”

Dr. Walsh stated, I believe the number two was because of the org chart and two was the number being discussed. You should have the freedom to evaluate. We can make the motion. I would think you would have a discussion with the School Board and come up with that number.”

Ms. Fertig stated, “I remove the number since Phyllis came up with additional staff.”

Mr. Moquin stated, “Before Mr. Reilly left he talked to me about some positions below the line. I want to find out what came about because of that. I want to remind the Committee and temper the motion in the context of current financial position. This 2018-2019 year the legislators saw fit to give us additional forty-seven cents in the base student allocations. When they took away the cost differential they put us in a negative position for this year, so we’ve already cut sixteen million dollars out of administration in order to hold schools harmless and at the first budget hearing the School Board was not satisfied that was just to balance the budget. As they look to provide salary increases to employees, they want us to cut more central administration. Your motion is your motion but, I want to put it in the context of where we sit financially.”

Ms. Fertig stated, “I’ll do it this way, I would like to make a general motion on the record about staffing for the audit department, I think it is an ongoing theme, regardless of what people do in Tallahassee I would like to recognize that this department saves millions of dollars and the more they can do to review business practices then we are able to fund more money and save more dollars. In terms of what happens in Tallahassee that is something we cannot control and let’s talk about something we can recommend in good conscious, is that this department needs more staff.”

Mr. Barnes stated, “Mary is amending her motion instead of say two additional staff. Are we all on board with that? Any further discussion or comments about the motion? All in favor say Aye, opposes hearing none, we have a motion carried.”

Mr. Jabouin asked, “I had a question with the respect to the transmittal to the School Board with the respect to the Audit Plan.”

Mr. Barnes replied, “The Chief Auditor is asking for a motion to transmit his Audit Plan to the School Board. So motioned and second, it’s been properly moved and second that we transmit to the School Board the Audit Activities 2018-2019 fiscal year. Questions to the motion, all in favor say Aye, opposers have the same right motion carried. Moving to number five on the agenda.”

### **Audits of the Internal Funds of Selected Schools**

Mr. Jabouin stated, “Section five is the standard Internal Audit of Internal Funds that were done at fifteen schools, the audit was done by various members of the team managed by Ann Conway. The specific schools were listed on the Table of Contents, we reviewed all the receipts, disbursements, and balances on the school bank accounts. We looked for compliance with the District standards of the Business Practice Bulletin. We verified that the activity was properly supported, and we took a look into certain payroll procedures with respect to the roosters with the

individual documentation of absences as well as a result of our work. There were no exceptions noted at the fifteen schools”

Mr. Barnes asked, “Comments on the selected schools? As I say particularly at the high school any school with a bookkeeper that you can come up with an audit without exceptions with the ticket reports and necessary concessions and all the activities, I believe that the principal and his staff should be commended. It is very difficult to get a clean audit at a high school any comments?”

Mr. Medvin asked, “What is included in the trust funds.”

Ms. Conway stated, “The trust funds are an accumulation of money that got collected for another purpose a lot of times its intended to be transmitted to the District. For example, you have your child care collection in there, lost text book collection and things like that.”

Mr. De Meo asked, “That is something that is subject to the audit?”

Ms. Conway replied, “As part of those internal funds we review those collections.”

Mr. De Meo asked, “Where are vending machines receipts included?”

Ms. Conway replied, “The vending machines can be posted to any number of accounts. There is usually one vending machine account. The principal will assign and account to receive portions of the vending machine collection in the commissions the staff appreciation account. Many times it goes into the general and sometimes goes in the athletic fund to offset a lot of the expenditures in the athletic funds. So many times, the money will go there.”

Mr. Barnes asked, “Dr. Wanza did you have something you would like to add?”

Dr. Wanza stated, “First and foremost, I would like to add to your first comment, when all schools receive a finding or no exceptions they do get a letter of commendations from me. The principal as well as the bookkeeper at the schools that is done. To elaborate on what Ms. Conway said it also depends on where the machines are located the one in the facility those commissions would go into the facility account. Where the machines are dictates where the funds are deposited in the schools internal accounts.”

Ms. Fertig stated, “I would like to move to transmit this with special recognition to Dr. Wanza, school-based staff, and audit department and school staff.”

Mr. Barnes stated, “It has been properly moved and second that we transmit with a special not that we commend Dr. Wanza and her staff and principals for doing an outstanding job on this audit. Any questions hearing none all in favor say Aye, opposers have the same right motion passes. Moving to number six on the agenda.”

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

Mr. Jabouin stated, “Agenda item number six is the standard audit of property and inventory that was performed of twenty-seven schools and departments the specific areas that were looked at were pages forty-five and forty-six. The audit was performed by various members of our team and managed by Ali Arcese. Twenty-two of the schools had no exceptions five of the schools had

exceptions with respect to compliance of documentation as well as some properties our team could not locate. This is improved rate from the May meeting I read. There were a lot of schools with exceptions of the eighteen locations as I read deeper into the minutes. This has been an historical issue I did get a chance to talk to various cabinet members, Dr. Wanza, Mr. Woods, Mr. Moquin, Ms. Marte, Mr. Tony Hunter, and Ms. Leslie Brown. They agreed to make this a cabinet level item that would be looked at from beginning to end. The error rate noted in these audits is consistent and high enough to a very likely process problem. Mr. Wood and I spoke to his team and made an appointment on the calendar to meet and discuss this matter and that I talk to colleagues this week about that. If we don't look at the process from beginning to end the process will likely have these errors going forward. I did read the responses for Dr. Wanza from the last meeting and I read the recent responses and it looks like she took some action has occurred and maybe that why there's been some general improvement in the statics for this specific audit. That's the general plan for those types of issues from a cabinet level prospective."

Ms. Fertig stated, "Since Dr. Mack is no longer with us, he would say this is better with a recommendation. I'm glad you're going to look at how to make this better, it is a big improvement."

Mr. Medvin stated, "Looking at these over the years it looks like the exceptions are almost identical a lot of them in my mind are systematic and kind of detailed. An item sixteen years or more is old, it disappears, disintegrates, paperwork is missing, and something happen so as you said it maybe is a systematic problem. Maybe there is a way to simplify it to maintain the inventory. I don't think any of it is a major problem, a mistake was made and some pieces missing, I think we should change the procedure."

Mr. Mayersohon stated, "I would like to thank Dr. Wanza for including the semi-annual inventories to track and follow. The District is going to develop better controls, it is a training process and tracking of old computer properly whether they go to B-stock most of it is a training aspect but, the accountability is important to understand the process."

Dr Walsh stated, "As I was looking through these they got repetitive over and over with different dollar amounts with paper and pencil. In 2018-2019 we could go to an online process which would stream line things for staff once they are trained, it would make it easier and things fifteen years and older not missing. We have one principal at Taravella High School who said he is only required to do semi-annual inventories, but he is going to do quarterly. The more you reconcile it is more unlikely you will have an audit finding you will catch it sooner. South Broward High School is going to keep doing a semi-annual even thou the have a larger dollar amount. It will depend on the principal's initiative on how things will happen in the future."

Ms. Shaw stated, "This is a great improvement is there anything in place based on the dollar amount that it should be done sooner? This is a necessity on certain dollar amounts."

Dr. Wanza replied, "If you look at Hollywood Hills, OSPA did not give her an option she has to do inventories quarterly. We had a concern about their system processes, so we do site by site to determine how often. When we see it in the financials we direct them to move to the Business Support Center, we make an administrative course of action based on what we get on the outcome."

The threshold can not be subjective it has to be objective like South Broward had a larger dollar amount but lower percentage. We don't set the thresholds it goes by the Business Practice Bulletin so that we don't have one standard for schools and one for departments, it's all organization assets."

Mr. Barnes stated, "Motion to transmit all in favor say Aye, opposers have the same right. Motion passes"

### **Other Discussions**

Mr. Jabouin stated, "Ann Conway previously provided future Audit Committee dates at the last meeting. But there is a small change. The November 29<sup>th</sup> meeting needs to be changed to November 15<sup>th</sup> to meet the required timing for the CAFR. The CAFR need to get to the School Board before its final meetings in December. Thus, I recommend that the move the meeting to November 15<sup>th</sup> all other dates should remain consistent with the dates that Ann provided at the May 10<sup>th</sup> meeting."

Mr. Jabouin then stated "The other item would be to move the standard time of the Audit Committee meetings from 12:30 pm to the morning primarily so that the Superintendent's cabinet members can attend the meetings. The afternoon conflicts with the cabinet meetings and makes it challenging for me to make the cabinet meetings so I would like to move the meeting to 9:00 am."

Ms. Fertig stated, "I'm concerned from a public stand point. When we had it at lunch people could attend on their lunch breaks. Why has staff suddenly developed a problem with it, what it is the issue?"

Mr. Jabouin stated, "The goal would be to have a consistent participation from the cabinet members and be able to have more information provided to us from Dr. Wanza and other chiefs who are impacted by the audits. It just needs to be earlier than 12;30 pm but not necessarily at 9 am so those cabinet members could attend the Audit Committee meetings more regularly."

Mr. Moquin stated, "What Mr. Jabouin is trying is to say is that seeing the value the audit function, Mr. Runcie wanted to incorporate Mr. Jabouin, the Chief Auditor, in the cabinet and so these meetings sometime conflict at 1:00 pm. He is trying to participate on the cabinet function and improve its effectiveness. We have members in and out because the meetings. Mr. Jabouin, Dr. Wanza and myself participate in cabinet meetings and we are one third of the meeting I would like to be able to facilitate in both meetings."

Ms. Fertig stated, "I would like to make a motion that we hold the meetings at 11:30 am as a public point attending these meetings."

Mr. Jabouin stated, "The October 11<sup>th</sup> meeting will remain at 12:30 because the room is not available before that."

Mr. Barnes stated, "It has been properly moved and second the meeting will be start at 11:30 am beginning November 15, 2018".

Mr. Barnes requested a motion to adjourn. Motion made and seconded. Motion carried.

Meeting Adjourned: 3:45 p.m.