

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

MINUTES OF AUDIT COMMITTEE MEETING

January 31, 2019

Mr. Moses Barnes, Audit Committee Chair, called the Audit Committee meeting to Order at 11:39 A.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.  
Ms. Rebecca Dahl  
Mr. Anthony De Meo, CPA  
Ms. Mary Fertig  
Ms. Stacey Kotzen, Esq.  
Dr. Nathalie Lynch-Walsh  
Mr. Andrew R. Medvin, CPA  
Ms. Phyllis Shaw  
Mr. Sean Wilson, CPA

Staff Present:

Mr. Robert Runcie, Superintendent of Schools  
Mr. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)  
Mr. Maurice Woods, Chief Strategy & Operations Officer, Office of the Strategy & Operations Officer  
Ms. Judith Marte, Chief Financial Officer, Office of the Chief Financial Officer  
Dr. Valerie Wanza, Chief Officer, Office of School Performance and Accountability  
Ms. Ali Arcese, Manager, Property and Inventory Audits, OCA  
Ms. Ann Conway, Manager, Internal Funds Audits, OCA  
Mr. Gerardo Usallan, Manager, Facility Audits, OCA  
Ms. Michele Marquardt, Confidential Department Secretary, OCA  
Mr. Jonathan Tolentino, Confidential Clerk Specialist C, OCA

Guests Present:

Ms. Melina C. Markos, Title 1 EPAC Chair; CAAC Vice Chair

Mr. Barnes requested that those members who had not yet completed the online “Committee Training Program” do so as soon as reasonably possible. The OCA sent the link for the training to the Committee members who needed to take it, and the web address was left for the applicable members at their seats.

Mr. Barnes stated that the “Conflict of Interest Form for School Board Advisory Committees” document was copied and is available for the Audit Committee members that had not yet completed them. A copy of the form was also left for the Committee members at their seat to fill out and return.

Mr. Barnes stated that copies of the “Form 8B, Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers” document was available to the Committee, if needed, and would be made available during future meetings, if needed.

Mr. Barnes informed the Committee that he will be announcing the Committee member names who make motions at the appropriate time and would also announce the members’ names before they speak to allow staff to easily compile the meeting minutes.

Ms. Fertig also recommended that if not referenced by Mr. Barnes that the Committee members should also state their name before speaking.

Mr. Barnes noted that at the Committee’s next meeting, he will be requesting volunteers for the Audit Committee Nominating Committee. The Audit Committee Nominating Committee will need to meet after the appointment or re-appointment of the Committee members in June to elect a new Chair and Vice Chair.

Mr. Barnes reminded the Committee of the process to bring forth official items. Committee Members should timely contact the Chief Auditor who will evaluate whether the item will be placed on a future meeting agenda.

### **New Business**

#### **Minutes**

The Committee discussed the Minutes from the meeting of November 15, 2018. Ms. Fertig noted that some of the verbiage made reference to “the Committee” and would prefer that the names of the members be attached to the verbiage. Mr. Jabouin responded that going forward, the minutes would be specific to individual member statements. However, “the Committee” would be used if it was not possible to decipher the specific member who made a comment or if numerous members made the same comment.

In response to questions from Dr. Lynch-Walsh, Mr. Jabouin noted that the OCA will no longer use the transcription service company due to the poor quality of the work of two companies that were used to compile transcripts over the past few months. Requests for audio or any documents would need to be processed in accordance with District procedures.

**Formal Motion** to approve the minutes with minor adjustments was made by Mr. Mayersohn and seconded by Ms. Fertig. The motion passed unanimously.

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

Mr. Jabouin presented the Internal Funds audit report. Sixty-five schools were reviewed with no exceptions. He noted that the specific schools audited were listed on the table of contents that precede the report. The audit was performed by various team members and managed by Ms. Conway.

Mr. Jabouin made reference to an e-mail that he sent to the Committee describing the internal funds and the sub-funds and the applicable Florida Department of Education requirements and School Board policies. Mr. Mayersohn asked the Committee that when responding to an email sent to the Committee by Mr. Jabouin, to respond only to Mr. Jabouin and to not respond to all the members.

Mr. Jabouin then reported that OCA is still behind on internal funds audits. The OCA continues to work hard on its strategy to catch up on the backlog of the internal funds audits and have engaged Shaun Davis and Associates (SDA) to assist in the backlog of internal audits.

As of January 25, 2019, the OCA internal funds backlog stood at 79 schools which represents a significant improvement from August 2018 when the backlog stood at over 200 schools. Of the 79 remaining internal fund audits, some were assigned to SDA who will prepare a report on the schools that they have audited at a future meeting.

The Committee had questions on the specific fieldwork procedures. Ms. Conway described the work performed by the field auditors on site including the receipts and disbursements to the ending balance through the school's bank accounts for internal funds.

The Committee discussed the fieldwork related to Millennium 6-12 Collegiate Academy. Ms. Fertig noted that recent periodicals about the school's activity and the activity surrounding the school's booster club and other activities. Dr. Wanza indicated that there is now a new Principal at that school and that specific booster club has been disbanded.

Ms. Shaw stated that there should be rules for booster clubs. Dr. Wanza explained the series of trainings, rules and regulations that are in place and discussed at the beginning of each school year for school staff. Dr. Wanza also stated that some issues just come to our attention through parents and tips.

Mr. Runcie and Dr. Wanza and Mr. Jabouin all noted that booster clubs are not within the scope of the audit. Mr. Jabouin noted that any additional procedures would involve inquiry and observation. Mr. Jabouin further noted that the audit was as of June 30, 2018 and that future work would emphasize inquiry and observation but would not review the booster clubs.

Ms. Fertig requested that Mr. Jabouin re-visit the work performed on Millennium and re-present the report at a future meeting.

**Formal Motion** to transmit the Internal Funds Audit of Selected Schools without the portion of the report related to Millennium 6-12 Collegiate Academy was made by Ms. Fertig and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

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

Mr. Jabouin presented the Property and Inventory audit report. A total of 21 locations were audited and nineteen had no exceptions that exceeded the one percent exception threshold. The audit was performed by various team members and managed by Ms. Arcese. The specific schools and departments reviewed were listed on pages 4, 5, and 6 of the report. However, page 4 of the report summarized the schools and the audit issues. Row 6 and 7 of page 4 segregated the items that could not be found from those items where the required paperwork was not completed.

Mr. Jabouin reported that Indian Trace and Pines Lakes were the schools with the reported exceptions and those exceptions were primarily because the schools' books and records still reflected inventory that was transferred to surplus but never removed from the school's general ledger.

Mr. Jabouin reminded the Committee of the Cabinet-level project to review the District's Property and Inventory process. The Office of the Chief Auditor and the Office of Strategy and Operation's Strategic Initiative Management team have already launched a project to review the District's property and inventory process from beginning to end. As part of the project, the property and inventory process from request, to

budget, to procurement, to delivery, to transfer / disposal as well as the information systems and controls on property and inventory will be reviewed. In addition, the processes of other school districts and other organizations will be reviewed for leading practices. Policies and practices will be adjusted to ensure compliance with regulatory requirements.

This project has received the commitment of the offices of the Chief School Performance and Accountability, Chief Financial Officer, Chief Information Officer, Chief Facilities Officer, and Chief Portfolio Services Officer as well as the Office of Strategy and Operation's Procurement and Warehousing Services team.

Mr. Jabouin reported that he and Mr. Woods personally visited the inventory warehouses to observe some of the processes and inventory themselves. The Inventory Process Improvement team plan to visit The School District of Palm Beach County on February 1, 2019 to observe their processes and meet The School District of Palm Beach County's personnel to discuss their controls.

Ms. Fertig asked Mr. Jabouin about Plantation High School, whose exceptions did not reach the reporting threshold. Mr. Jabouin reported that although those exceptions do not meet the reporting threshold, the OCA treated them as if they were exceptions. The Principal was contacted and was required to provide a response. The issues primarily involved missing music equipment and a golf cart.

Ms. Fertig and Dr. Lynch-Walsh requested that the report include additional language describing the OCA's treatment of the Plantation High School's exceptions in a similar manner to the official exceptions.

Mr. Wilson asked whether the OCA reviews the inventory against a list. Mr. Jabouin reported that a download of the schools' or departments' inventory is obtained from the general ledger and compared to the equipment at the schools. Ms. Arcese also noted that the general list is obtained and briefly described the OCA's inventory fieldwork procedures.

Mr. Mayershohn noted that the school responses state that the schools would review best practices and that those types of responses are similar to previous responses given on past audits. Dr. Wanza responded that the schools are being monitored more frequently, particularly those with repeat findings.

**Formal Motion** to transmit the Property and Inventory Audits of Selected Locations with added language from the OCA further describing the exceptions of Planation High School and the OCA's attention to those issues was made by Ms. Fertig and seconded by Ms. Shaw. The motion passed unanimously.

### **Introduction of New Audit Committee Members**

Mr. Barnes discuss the addition of Ms. Dahl, Ms. Kotzen, and Mr. Wilson to the Committee. Ms. Dahl and Ms. Kotzen have attended previous meetings and had the opportunity to liaise with the various members. Since this was Mr. Wilson's first meeting, he was asked to briefly discuss his background.

Mr. Wilson stated that he was appointed by School Board Member, Ms. Lori Alhadeff. Mr. Wilson noted that he is a Certified Public Accountant and a Certified Fraud Examiner. Mr. Wilson explained that his experience includes work for the big four and next tier accounting / auditing firms. Although his background includes work in external audit and internal audit, his most recent experience is in IT audit.

### **Chief Auditor's Report**

Mr. Jabouin discussed the Chief Auditor's Report regarding the key activities of the OCA since the prior Audit Committee meeting.

He began by summarizing the most significant projects of the OCA that were utilizing most of the division's resources which were:

- (1) the internal funds audits and the strategy to get them caught up;
- (2) the property and inventory audits and the property and inventory process improvement project;
- (3) the charter school financial reviews;
- (4) the discipline audit strategy;
- (5) a specific payroll audit;
- (6) the purchase card audit;
- (7) the Florida Auditor General Operational audit; and
- (8) general OCA administrative matters such as the recruitment of new personnel and the setup of the OCA for risk assessment and follow up.

With respect to the recruitment, Mr. Jabouin reported that the recruitment of the new audit positions closed on January 22, 2019. Fifty-nine applications were received that included both internal and external candidates which, in turn, included 4 members of the OCA. Human Resources is currently reviewing the applications, and the OCA expects the interview process to begin in February.

With respect to facilities audits, Mr. Jabouin reported that he and Mr. Usallan compiled a SMART Master Scope Document that lists key contractual responsibilities of the owner representatives as well as Bond Oversight Committee data and eventual projects that will be included in the scope of the fieldwork. This document is part of the new risk assessment that commenced in January.

With respect to Charter Schools, the OCA has started the quarterly review of charter school financial statements to assess the adequacy of their fiscal management.

With respect to the operational / discipline audit strategy, the OCA continues to set up our audit program for the eventual audits of the discipline polices and the student code of conduct. The current phase of the assessment involves the review of data through the District's systems.

With respect to the OCA's work on the Comprehensive Annual Financial Report, the OCA worked with Ms. Marte to receive the Broward Educational Foundation financial statements. Although the District received an unqualified opinion on its financial statements, the component financial statements would have received a qualified opinion without the BEF financials.

With respect to follow up, Mr. Jabouin reported that his master vision for follow up is a master spreadsheet of published audit issues from the OCA, the external auditors, and the regulators that would allow for data to be sorted to identify trends. The status of issues as whether closed, open, or in process would also be reported regularly. A spreadsheet that will include issues subsequent to school year 2018 is currently under development.

With respect to risk assessment, Mr. Jabouin reported that a risk assessment is also under development. The first area for the assessment was the facility area. That area will have separate sub areas for maintenance contracts, SREF compliance, SMART bond projects, non-SMART bond projects, and key processes. The vision for the information technology area would involve separate sub assessments for general computer controls, application controls, and key processes. Mr. Jabouin hopes to lean on the skills of the Committee members who have information technology experience for their guidance.

With respect to the By-Laws, Mr. Jabouin reported that during the course of the Committee's previous meetings, certain changes were made, but other changes that were not accepted by the Committee were re-

adjusted back to the wording of previously-approved By-Laws. Dr. Lynch-Walsh's questions about the Conflict of Interest Form is pending and required additional analysis. Ms. Shaw's previous question regarding absences will also be researched.

Ms. Dahl asked about the discipline audit testing. She wanted to know how the OCA is going to be sure the schools are reporting correctly and not under reporting. Mr. Runcie also stated that the District has made it clear to schools that under reporting of discipline data is not going to be tolerated.

Mr. Jabouin replied that the OCA has a preliminary strategy for reconciling District data to outside data. Mr. Runcie and Mr. Jabouin discussed the potential use of anonymous surveys as part of this strategy.

With respect to future audits, Dr. Lynch-Walsh asked whether Policy 1341 can be considered to see if events at the schools hosted by vendors, were operating at a loss and whether security checks were performed. Mr. Jabouin responded that those points would be considered for any future audits of Policy 1341. However, such an audit would occur if it is selected in the risk assessment process.

Also, with respect to future audits, Dr. Lynch-Walsh asked whether Policy 1007 related to mixing business and school board campaigning can be reviewed. Mr. Jabouin responded that this policy could be reviewed if it is selected in the risk assessment process.

Mr. De Meo asked about whether a risk assessment workshop could be used. Mr. Jabouin responded that he would consider if a workshop would be feasible.

Dr. Lynch-Walsh stated that she e-mailed an issue to Mr. Jabouin regarding an ESMAB employee using the TSP contract to get paid for 8 hours instead of 7.5 hours. Dr. Lynch-Walsh stated that this employee should pay back the compensation received for the .5 hours. She further stated that the ESMAB contract has no verbiage for paying back monies. She then stated that if the TSP contract was used as a basis to change the employee's hours to 8 hours, then the contract should be used to pay back the money. Mr. Runcie responded that this issue was discussed at a previous School Board Workshop. He further responded that this was not an audit issue and was a management issue, and management dealt with the matter.

### **Public Speaker**

Guest speaker, Ms. Markos, inquired about the process for bringing concerns to the Chief Auditor. Mr. Jabouin responded that she can contact the Office of the Chief Auditor and her concern would be analyzed against other priorities. He encouraged Ms. Markos to send him an e-mail.

Ms. Shaw and Mr. Mayersohn then asked that future Committee meeting agendas include a section for public comments. Speaker time can be limited to three minutes.

**Formal Motion** to adjourn made by Ms. Shaw and seconded by Ms. Fertig. Motion carried unanimously.

Meeting Adjourned: 2:25 P.M.