

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

MINUTES OF AUDIT COMMITTEE MEETING

March 14, 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  
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. Joris Jabouin, Chief Auditor, Office of the Chief Auditor (OCA)  
Ms. Judith Marte, Chief Financial Officer, Office of the Chief Financial Officer  
Mr. Robert Vignola, Deputy General Counsel, Office of the General Counsel  
Ms. Erum Motiwala, Director, Accounting & Financial Reporting  
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  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present:

Mr. Dan O’Keefe, Shareholder, Moore Stephens Lovelace Advisors (MSL)  
Mr. Shaun Davis, Managing Partner, S. Davis & Associates, P.A. (SDA)  
Ms. Annette Lewis, Consulting Manager, SDA  
Ms. Melina C. Markos, Title 1 EPAC Chair; CAAC Vice Chair  
Mr. Scott Travis, Sun-Sentinel

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.

## **Old Business**

### **By-Laws**

The Committee discussed the proposed Audit Committee By-Laws. Mr. Jabouin summarized the changes to the By-Laws since the Committee's prior discussion of this document at its November 15, 2018 meeting for the Committee members.

Mr. Jabouin reported that most of the Committee's requested changes were made. Previously-proposed changes that were not accepted by the Committee were re-adjusted back to the wording of the previously-approved By-Laws. Mr. Jabouin also made other cosmetic comments that addressed grammar, capitalization, consistency, and redundancy issues. Some wording from Policy 1.7 was added but making reference to comply with Policy 1.7 was not deemed necessary because the By-Laws stated that they would comply with School Board policies.

The Committee discussed the paragraph about being absent from a meeting. Various thoughts were discussed. Mr. Medvin and Dr. Lynch-Walsh asked that the paragraph pertaining to absences reflect the school year instead of the calendar year.

Ms. Fertig requested that when the Board is going to review the By-Laws and votes on them, that the Committee receive notice.

Dr. Lynch-Walsh mentioned the Audit Committee is the only group that doesn't have their own establishment policy. She mentioned that there is policy 1002.1, Office of the Chief Auditor. Mr. Jabouin previously reviewed the issue of the Audit Committee establishment policy but would get back to the Committee at the next meeting regarding the status.

Ms. Shaw inquired about further discussion regarding the independence language at a future meeting.

Mr. Jabouin proposed adding the specific name of the voting conflict form to page 3, Section I. He proposed adding a colon and the name of the form (: Commission on Ethics [COE] Form 8B, Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers). Dr. Lynch-Walsh indicated that this should be included in other locations where the form is mentioned.

The paragraphs in the By-Laws discussing the different conflict of interest forms were discussed. The Committee commented on the District's form and the voting conflict form. Although the Committee is aware of the requirements of the voting conflict of interest form, it was noted that the District's form should be confirmed with the General Counsel's Office and the Chief of Staff.

Mr. Jabouin was asked to re-present the By-Laws at the next meeting and to also include School Board Policy 1.7 and the District's official Conflict of Interest Form.

### **Audit Committee Member Comments**

Mr. Jabouin reminded the Committee of the process to bring forth official agenda items. Committee members should timely contact him on potential agenda items so that he can evaluate whether the item will be placed on a current or future meeting agenda. Mr. Jabouin intends to send the Committee members an e-mail prior to the meeting with a timeframe to notify him of proposed agenda items.

Dr. Lynch-Walsh discussed that the only way to see if an item is a concern for the Committee is to put it on the agenda to discuss.

Dr. Lynch-Walsh commented on the District's position on pay practices. Particularly, presentations made at a previous Board Workshop as well as other statements by District management. She inquired about the lack of consistency in the application of the TSP contract to certain ESMAB employees. She mentioned an issue about the Director of Procurement and Warehousing Services whose work day was previously changed from 7.5 hours to 8 hours as well as other ESMAB employees who are also paid for 8-hour work days.

Ms. Marte noted that she is the Chief Financial Officer but is assisting the Human Resources area as they search for a new Chief of Human Resources. She further noted that she was not assisting the Human Resources area at the time of the Board Workshop presentation. She explained that the District changed that workday of the Director of Procurement and Warehousing Services back to 7.5 hours. She explained that previous payments to the Director of Procurement and Warehousing Services were not deemed to be overpayments. Ms. Marte will look at the situation with the other ESMAB employees.

Ms. Marte discussed the District's Payroll Process Improvement Project. During the project, management has noted long-standing issues with SAP's payroll controls and payroll reports and the steps she has implemented to bring SAP up to date. Ms. Marte also discussed that there will be a short-term fix over the summer and a mid-term fix and a long-term fix to payroll controls in SAP and beyond. She stated that she looks forward to changing past audit discussions about audit findings around payroll.

Ms. Fertig inquired about a potential audit of overtime. She mentioned that the OCA previously performed such audits. Mr. Jabouin reported that such audits can be performed, but given the current audit resources, such work would impact other audit projects. Mr. Jabouin stated that ideally a payroll audit would be performed which would include the onboarding of new employees, the determination of their compensation, adjustments to new and exiting employee compensation, verification of salaries against District policies, appropriateness of salary deductions, recalculation of compensation that was not in an employee's base pay such as overtime/supplements/stipends as well as salary termination when they leave the District and other common payroll tests. Such an audit will include the overpayment points raised by Dr. Lynch-Walsh and Ms. Fertig but should be done after the conclusion of the Payroll Process Improvement Project. This work would ultimately be performed by the Information Technology Audit Manager position that is currently being recruited.

Mr. Jabouin then discussed the Committee of the District's Payroll Process Improvement Project which is currently in process. Any potential payroll, overtime, or overpayment audit should be done after the project has concluded so that the new controls can be tested for effectiveness.

Ms. Fertig then noted that she would meet individually with Mr. Jabouin and Ms. Marte to discuss various issues on overtime so that she can carefully craft a motion at a future meeting.

### **New Business**

### **Minutes**

The Committee discussed the Minutes from the meeting of January 31, 2019. No questions were noted.

**Formal Motion** to request the approval of the minutes was made by Dr. Lynch-Walsh and seconded by Ms. Shaw. The motion passed unanimously.

### **S. Davis and Associates Audit Report – Audit of the Internal Funds of Selected Schools**

Mr. Jabouin reminded the Committee that the 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 SDA to assist in the backlog of internal audits.

Mr. Davis described the engagement to assist the OCA on the internal funds audits. Ms. Lewis described the fieldwork and the reporting and briefly discussed the specific schools reviewed.

In response to a question from Mr. Medvin, Mr. Davis responded that his team used the same audit program used by the OCA.

**Formal Motion** to transmit the S. Davis and Associates Audit Report of Internal Funds Audit of Selected Schools was made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

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

Mr. Jabouin presented the Internal Funds audit report. Thirty 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.

As of March 8, 2019, the OCA internal funds backlog stood at 58 schools which represents a significant improvement from August 2018 when the backlog stood at over 200 schools. Of the 58 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.

**Formal Motion** to transmit the Internal Funds Audit of Selected Schools was made by Ms. Fertig and seconded by Ms. Shaw. 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 eight locations were audited and all 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 although Piper High school was not noted as an exception because the dollar value of inventory inconsistencies was below the exception threshold, the OCA is following up on the inconsistencies noted as if they were exceptions. An action plan was received from the Principal with respect to their inventory.

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 Officer, 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.

Dr. Lynch-Walsh had questions on the table used to summarize the exceptions about the inclusion of additional columns. She asked that a total column be added. Mr. Jabouin responded that those changes would be evaluated.

**Formal Motion** to transmit the Property and Inventory Audits of Selected Locations was made by Ms. Fertig and seconded by Mr. Medvin. The motion passed unanimously.

### **Moore Stephens Lovelace Reports**

Mr. O'Keefe presented the MSL reports on Internal Control Over Financial Reporting, Management Letter, and Independent Account Report for fiscal 2018. He noted that the reports were the last reporting requirements for the June 30, 2018 fiscal year.

Mr. O'Keefe responded to questions from Dr. Lynch-Walsh, Ms. Shaw, and Mr. Wilson on their audit coverage and their sample of purchase cards. Mr. O'Keefe noted that MSL looked at the agreements and other controls on 40 purchase card users and that their reports do not provide an opinion on the control process.

Mr. O'Keefe reported that there were three findings in the report. Ms. Shaw asked about the follow up on the three issues noted in the report. Mr. Jabouin responded that he is building a follow-up database that will adopt these issues and track them like the issues noted by the OCA.

Ms. Marte then acknowledged Ms. Motiwala whose work on the CAFR was recognized, and she was recently also acknowledged by the School Board as she received from the Council of Great City Schools a certificate of completion of their executive leadership program with achievement.

**Formal Motion** to transmit the Report of Internal Control over Financial Reporting and on Compliance and Other Matters, Management Letter, and Independent Accountant Report was made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

### **External Independent Financial Auditing Services Renewal**

Mr. Jabouin reported that the three-year external audit engagement with MSL would expire in November 2019. The three years covered are fiscal 2017, fiscal 2018 – which ended last June and received its last reports at the current meeting, and fiscal 2019 – whose fieldwork starts soon. The agreement has two one-year renewals upon mutual agreement with the District and MSL. Thus, this agenda item relates to fiscal 2020.

The District's Warehousing Services department has reached out to MSL, and they indicated that they would like to renew the agreement at the same cost: which is \$210,000 plus \$40,000 for the Single Audit on years that the Single Audit is not performed by the Florida Auditor General.

Mr. Jabouin commented that he was satisfied with MSL's work, competence, and service. The interactions with Mr. O'Keefe and Mr. Eddy Casteneda was exemplary. They were particularly useful when working with SDA. Both MSL and SDA were helpful in obtaining the financials of the Broward Educational Foundation in late November to avoid a potential CAFR issue.

Ms. Marte agreed and noted that keeping the same auditor at this time would avoid challenges as a new audit firm would require training. Ms. Fertig and Mr. Medvin requested that the District policy requiring a change in auditors after 5 years with the same firm be reviewed.

Mr. De Meo inquired about the cost, and Mr. O'Keefe said that under many cases the cost would be much higher. Mr. De Meo noted that the use of SDA on the engagement is positive and the comments of Mr. Jabouin and Ms. Marte are helpful.

**Formal Motion** to renew the External Independent Financial Auditing Services Agreement with Moore Stephens Lovelace for Fiscal 2020 was made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

### **Proposed Audit Committee Dates for 2019-2020 Fiscal Year**

Mr. Jabouin noted that the Committee's By-Laws require the establishment of the meeting dates at the first meeting of the school year. Since there are operational challenges to booking the boardroom, Mr. Jabouin is seeking approval for dates into 2020 to ensure availability. Mr. Jabouin explained that the dates were chosen to space the meetings and are similar to prior years. With respect to the November meeting, it is selected to ensure the review of the CAFR.

Dr. Lynch-Walsh made a suggestion to add the future Audit Committee dates to the agenda.

**Formal Motion** to approve Audit Committee Meeting Dates for Fiscal Year 2020 was made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

### **Establishment of Audit Committee Nominating Committee**

Mr. Barnes requested volunteers to serve on an Audit Committee Nominating Committee that would elect a Chair and Vice Chair for fiscal 2020 in accordance with the Committee's By-Laws. After discussion, Mr. Medvin and Ms. Dahl agreed to serve on the Nominating Committee.

The Nominating Committee will meet at 11:00 am on August 8, 2019, prior to the Audit Committee meeting that starts at 11:30 am on that same day. This meeting is its own meeting and will be publicly noticed just as the Audit Committee meetings are noticed.

### **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. The formal interviews are scheduled for March 19, 2019.

Ms. Fertig expressed a desire to have other audits besides the Internal Funds and Property & Inventory audits.

Mr. Jabouin responded that the OCA cannot address the District's various risk areas until the people are hired and onboarded and given a period of time to acclimate to the environment before they can contribute to audit fieldwork. At this time, the OCA is simply trying to address the backlog of past audits that had not been performed since 2016. Once the OCA is caught up and the new team members are contributing, the OCA should be able to address the various areas for audit.

Ms. Fertig stated that outside firms could perform work that would allow additional areas to be audited. Mr. Jabouin reminded the Committee that the OCA was already using SDA and has reduced the internal funds backlog. Mr. Jabouin reminded the members that the District had previously provided additional budget to the OCA for the internal funds backlog and the BECON follow-up audit.

**Formal Motion** to engage an external firm to assist the Office of the Chief Auditor with Audits overall and to assist the OCA with managing the workflow until the OCA has appropriate staffing was made by Ms. Fertig seconded by Ms. Shaw. The motion passes as 8-1 with the following votes: Barnes (N), Dahl (Y), De Meo (Y), Fertig (Y), Kotzen (Y), Lynch-Walsh (Y), Medvin (Y), Shaw (Y), Wilson (Y).

With respect to follow up, Mr. Jabouin reported that his master vision for follow up is a database 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. Originally a spreadsheet was created, but a database is now deemed to be the best vehicle for this and will include issues subsequent to school year 2018. It 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.

Dr. Lynch-Walsh ask when the District will receive the Auditor General report. Mr. Jabouin responded that the Auditor General released their tentative preliminary report to their operational audit on March 5, 2019. Mr. Jabouin stressed that the issues were preliminary and tentative and that the final report may have less findings. Of the nine preliminary and tentative issues, one is already closed and another one is the internal funds. The draft responses to date are in line with what the District wants for proactive responses with milestones and due dates that he is going to adopt in his process and follow up.

### **Public Speaker**

Guest speaker, Ms. Markos, reported about Title I concerns regarding the allocations of Title I funds at a charter school. Mr. Jabouin responded that the responsibility for these concerns are outside of the District. Nevertheless, the OCA will note these concerns as it performs its risk assessment of the various charter schools.

### **Adjournment**

**Formal Motion** to adjourn made by Ms. Shaw and seconded by Dr. Lynch-Walsh. The motion passed unanimously.

Meeting Adjourned: 2:16 P.M.