

The School Board of Broward County, Florida

**AUDIT COMMITTEE**

MINUTES OF AUDIT COMMITTEE MEETING

October 20, 2016

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

Members Present:

Mr. Brendan Aloysius Barry  
Ms. Mary Fertig  
Mr. John Herbst  
Dr. Nathalie Lynch-Walsh  
Dr. Henry Mack (attended by phone)  
Mr. Robert Mayersohn  
Mr. Andrew Medvin  
Mr. Daniel Traeger

Staff Present:

Mr. Jeff Moquin, Chief of Staff  
Dr. Valerie Wanza, Office of School Performance & Accountability  
Mr. Dan Gohl, Chief Academic Officer  
Ms. Luwando Wright-Hines, Title I, Migrant & Special Programs  
Ms. Carol Purrier, Budget Department  
Ms. Shelley Meloni, Director, Pre-Construction, Office of Facilities & Construction  
Mr. Alan Strauss, Office of School Performance & Accountability  
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)  
Ms. Ali Arcese, Manager, Property & Inventory Control, OCA  
Mr. Robert Goode, Manager, Facility Audits, OCA  
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA

Guests Present:

Mr. Brett Friedman, RSM US LLP  
Ms. Chantelle Knowles, RSM US LLP  
Mr. Rob Corbin, Heery International

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**Old Business**

**Agenda**

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

**Minutes**

A motion was made to approve the minutes from the September 8, 2016 Audit Committee meeting. Motion carried.

**Follow Up Items**

**Follow Up Item #1 - CM @ Risk Contract Review**

Discussion was held regarding the CM @ Risk contract. The Committee agreed that they would like to receive the CM @ Risk contract electronically in word format prior to the November 17, 2016 Audit Committee meeting, so they can provide recommendations and comments. These recommendations and comments will be discussed at the November 17, 2016 Audit Committee meeting, at which time the Committee will make recommendations to the Board.

**Follow Up Item #2 - Internal Audit Report – Property & Inventory Audits of Selected Locations – September 8, 2016**

Ms. Mary Fertig stated “The Audit Committee requested more information regarding the police report that was filed for a missing laptop at Sanders Park Elementary.”

Dr. Valerie Wanza stated “I had an opportunity to speak with the Principal about this. I asked her why there was over a month delay from the date of incident on the report to the date the report was actually filed. The Principal stated that just before winter break, they did their quarterly property check and that’s when the school noticed that the laptop was missing. The teacher never reported it to the administration. As soon as it was brought to the Principal’s attention, she started the police report and other required documentation. I also asked her why it took another 5 months to get the serial number recorded. She had some turnover in her staff. This teacher is no longer at this school. I have called the school where this employee is currently working and advised that Principal of the procedures for safeguarding assets. I also asked why the teacher waived the right of prosecution when he was not the owner of the property. She stated that the teacher said that was a mistake. I am meeting with the teacher’s new Principal next week to ensure there is greater oversight.”

Mr. Robert Mayersohn stated “I have seen several of these audits where the Microtech has left and there’s a gap. A recommendation to Jeff would be to have someone else accountable when an employee leaves.”

Dr. Wanza stated “That is the direction that has been given to Principals, not only in the case of the Microtech position, but for all other positions.”

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Mr. Mayersohn stated “Maybe that could be incorporated into a Standard Practice Bulletin that the schools develop a succession plan when an employee leaves.”

**Follow Up Item #3 – Other Discussions – Federal Awards Finding 2015-001 – Title I Grants to Local Educational Agencies – June 16, 2016**

Ms. Fertig stated “We requested an update on the Title I funds, specifically, the disposition of the State Auditor General’s audit finding.”

Ms. Luwando Wright-Hines stated “The following practices contributed to Title I schools being out of rank order; salary differentials for salaried positions, fringe benefits for salaried positions, transportation costs, as well as technology costs. These were attributed in the schools’ allocations. What we were authorized to do by the Florida Department of Education was to remove those activities from the schools’ allocations, which resulted in the questioned costs being significantly reduced to \$3,125,432. That reduction will be reflected on the Title I 2016-2017 application. We will have special conditions advising the District to do the following corrective action; provide a rank and serve analysis to the Florida Department of Education’s Audit Resolution Department in January 2017 and in June 2017. That will give them the guidance on what they need to make sure that our schools remain in rank order and we will have to restore the Title I Program in the amount of \$3,125,432, utilizing Title I funds for the 2016-17 roll-forward school year. We anticipate a roll-forward in our application. We projected \$10 million; however, we are estimating \$14 million. Of that \$14 million, \$3.1 will be devoted to restoring those Title I schools that were impacted by the questioned costs.”

Dr. Nathalie Lynch-Walsh stated “I would like to have that in writing, especially since this was so convoluted to begin with and I have to compare it with the \$22 million spreadsheet to make some sense of it. For example, would North Fork, which was underfunded by \$191,000, get \$191,000 more this school year?”

Ms. Wright-Hines stated “After we did the calculations, after removing the LEA activities, if you go back to North Fork, the questioned costs were re-calculated and amounted to \$83,121.20. Per the Florida Department of Education, you can either restore the Title I Program or restore the school, as a whole. Since there are anomalies in the amounts that are impacted by the schools, they said it’s up to the LEA whether or not you want to implement a District-wide activity supporting these schools or you want to restore these schools by the amount. Since some schools vary, as you referenced, for example, North Fork, and then we have some schools that may have been impacted by fifty cents, it’s up to the LEA what type of activity will be implemented to support or restore the program.”

Dr. Lynch-Walsh stated “It wouldn’t come as a surprise that a lot of the lowest performing schools were the ones with the largest underfunded amounts.”

Mr. Daniel Gohl stated “For clarification, the Local Education Agency (LEA) is the school. The State Educational Agency, for the State of Florida, is the SEA. The SEA examined the allocation and determined that the methodology was thrown off, primarily because they calculated the issue of actual salaries vs. budgeted salaries and the allocation of whether or not something had been properly coded to the school or to the District, the LEA. Two years ago, the federal government said that we cannot say that we’re giving every Title I school a teacher and say that those teachers cost the same amount. Because of the concerns that low-performing schools were not getting experienced teachers, we

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actually now have to report the actual salary of the teacher assigned, not the budgeted average amount of the salary per school. That is a difficult accounting transition to make, when for all purposes, we as a school District, budget teachers equally for all purposes other than Title I. You get teachers, based on a student to teacher ratio, not on a student to teacher salary ratio. We are now having to modify SAP to create an additional parallel bookkeeping system for Title I allocation of teacher salary vs. teacher capacity. This is a difficult transition, but that's what the LEA's looking for us to become compliant with, in their spring 2017 visits."

Dr. Lynch-Walsh stated "There was a question of whether the auditors were using a different cutoff date or a different formula. Were there activities that should not have been included in the formula that caused this?"

Ms. Wright-Hines stated "Yes. There were certain activities that were inadvertently coded to the schools. For example, there are District activities, SEAS (Student Enrichment in the Arts), when we take students on field trips to the Performing Arts Center. The District Title I Department funds the transportation; we pay for the buses. The items were coded in SAP. It was entered in by location number, as if the schools were purchasing the buses. Now we make sure we have unique program numbers for District-wide activities that the District department is responsible for vs. the schools. That was a programming issue that we've remedied now in collaboration with the Budget office."

Dr. Lynch-Walsh stated "Is this the only year this would have happened?"

Ms. Carol Purrier stated "It's not that it was miscoded. It was included in the same program where the school-based allocations are coded. It was co-mingled in the same program."

Dr. Lynch-Walsh stated "The code was set up wrong?"

Ms. Purrier stated "No, it wasn't set up wrong. On the grant, we have programs for the different initiatives. For this particular initiative, the allocation plus the expenses were in the same program with the school-based allocations. The corrective action is to move those allocations and expenses to a different program, so it doesn't cause the schools to be out of rank and serve order."

Mr. Gohl added "The State in no way is saying that this money was used inappropriately. The SEAS Program, for example, is an allowable program and it can be allowable at just an individual school level, if that's how we're implemented, or as Broward County does, which is a District program. However, because of how it gets calculated in rank and serve ratio, dollars allocated divided by free and reduced eligible students, how you code that changes the numerator. Therefore, when you move it into proper allocation by budget code from school to LEA, each school gets a few dollars different than what its local allocation was. When you divide it by the same numerator, you get a slightly different expenditure rate for students, which then changes the rank and serve order. The Feds look at whether the rank and serve order of dollars delivered matches the rank and serve order of the application you submitted for that year at the very beginning. Those rank and serve orders need to match. In this case, they were questioning \$23 million. After further discussion and clarification, and much back and forth between our Title I Department and the State, we actually became a special case at their Statewide conference, because these practices are persistent in the LEAs in Florida. We have identified numerous things that need to be clarified, so that we can maintain rank and serve between application and allocation. That's the outcome that's needed."

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Dr. Lynch-Walsh stated “One of the issues that came up as a result of this was ‘what was the money spent on?’ which would be an interesting audit. While the State audit showed discrepancies between what the schools should have gotten and what they actually got, it didn’t go a step further to examine what the money was actually used for. We don’t know.”

Mr. Gohl stated “Actually, we do. We state in the application what the money will be spent on.”

Dr. Lynch-Walsh stated “Can we get a copy of that?”

Mr. Gohl stated “We will be happy to forward you the application.”

Mr. Mayersohn asked “This doesn’t change the delivery of the educational program, correct?”

Mr. Gohl stated “It changes how dollars are coded. It is not driving a fundamental shift in our Title I. Other factors are driving our reconsideration of whether our Title I allocations are getting the highest return on investment that we need, but that’s coming from OSPA (Office of School Performance and Accountability) and the Office of Academics. That’s part of the continuous improvement process. We’ve got to be looking at the return for each dollar spent, not just Federal dollars, but Title I dollars, as well. The State has not questioned that; they have approved this year’s application, which is important. This year’s application is a modification, not a duplicate of the previous year, so we’re not changing that. I am concerned for not only Broward, because this team has addressed this, but for States and districts across the country. If the Federal government continues to use this criteria, where it is only dollars to free and reduced lunch students, as opposed to teaching units. . . For example, if I want to buy professional development or teachers and I’ve got to calculate it, some schools would say ‘I would rather buy three brand new teachers than buy two experienced teachers to be my teacher coaches. That is a philosophical to economic debate that we are fighting at a policy level. We are waiting to see with the Every Student Succeeds Act, which is replacing the No Child Left Behind, what the guidance from the Federal government will be. We have the Statute, regulatory pieces from DOE that we continue to roll down. Florida DOE regulations have not yet cascaded down, but the guidance documents will show how much flexibility we have. If they are absolutely rigid on this dollar to student being the definition of equity, it will have cascading ramifications for programmatic delivery for years.”

Dr. Lynch-Walsh stated “I noted that the overfunded schools tended to be “C” or “B” schools. The underfunded schools were “D” and “F” schools.”

Mr. Gohl stated “I’d love to have you share that, because it raises questions that need to be part of our processes.”

Ms. Wright-Hines stated “When you look at the analysis, as Mr. Gohl shared with you, the A” and “B” schools have a tendency to hire teachers that are more expensive than the average salary. That drove them out of rank order, because it’s by teaching units and experience of the teachers. Actual salaries were entered into SAP. We find in our “D” and “F” schools, we have teachers with not as much experience; therefore, the salaries are under the average salaries, so they would have shown up as being underfunded vs. funded by actual salary.”

Dr. Lynch-Walsh stated “Isn’t that the exact opposite of what Title I funds are supposed to be for?”

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Ms. Wright-Hines stated “Absolutely, and that’s why this was a teachable moment, as well, because we can no longer enter in actual salaries in SAP; we have to enter what is being allocated. If there is a salary differential, we have to have that as a unique program number, so it doesn’t co-mingle and throw our schools out of rank order.”

Ms. Fertig stated “When you’re making the adjustment this year, will it cost the school that was in that upper rank? In other words, if they were getting \$14 million, but in fact, you’re allocating \$11 million, then the \$3 million is going to adjust, is there a loss to some schools?”

Ms. Wright-Hines stated “No, there isn’t. When we say that we’re giving a school \$14 million, for example, the \$14 million needs to be entered into SAP. I can understand the past practice, because for reconciliation and budgeting purposes, you want to measure what exactly you are spending, so the amount allocated can match the expenses. That was the rationale for the Budget Office entering in the actual amount that was being spent. We’ve learned now from the Department of Education that we can no longer do that practice. Whatever we say we’re allocating to schools by way of our application must be entered into SAP. There would not be a disadvantage for schools that are either over or under their allocations. Again, we have been asked to set aside a unique program number, for example, if the school is allocated \$14 million, but they’re only spending \$11 million, that’s fine. You might see a school allocated for \$14 million, but really the teachers’ salaries are \$16 million. That additional \$2 million will have to come from the District’s money and we have to set aside that program in a unique program number, so it doesn’t get co-mingled with the \$14 million. That was our past practice.”

Dr. Lynch-Walsh stated “If the application said you were going to give them \$500,000 but what got entered into SAP was \$300,000, this is going to be just like SIU. Why didn’t someone catch that?”

Mr. Gohl stated “Because we use averages, the teacher salary average is real at the unit of the District as a whole. There is a small difference between the District as a whole average and the subset of the District that is Title I teacher salaries. They are not identical as sets of members. That small difference shows up in the rollover every year. It can show up as additional rollover in some years or less rollover in other years. There is no missing money. If a school is \$200,000 short because they had less experienced teachers, at some other school, they had more experienced teachers, and as far as the Budget Office is concerned, we stayed within budget. As far as Title I was concerned, we had the right number of units of teachers out in the field. There was no way to disclose until you calculated at the rank order level, which is what this audit did, the differences based on dollars allocated to teaching units vs. our practice of analyzing based on teaching units.”

Ms. Fertig stated “I would like to get this in writing so we can review, and if necessary, we can add this discussion to the follow ups for our next meeting.”

Mr. Daniel Traeger asked “What professional training development did this District receive from the State and Federal Government prior to this audit?”

Ms. Wright-Hines stated “No professional development was received. This is an anomaly not only for Broward, but for other large Districts because of the uniqueness in terms of the salary differential and how it may preempt our schools to be out of rank order. Our Budget Office has been working closely with the State to ensure that we are capturing it. We have our independent external auditors here that we are collaborating with who are examining our practices and making sure that our plans

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will be implemented with fidelity, as well as the State. We have been identified for on-site monitoring for this fiscal year. We anticipate more follow up to ensure that schools are maintained in rank order.”

Mr. Traeger stated “It seems to me that our District got ‘dinged’ on this, when we should have had prior notice from the federal government and/or Tallahassee on how to do it correctly.”

Mr. Gohl replied “The source of this change in practice is actually rooted in the Office of Civil Rights memo that went out about six months before this grant was due and was never cascaded through the US DOE in terms of guidance, but OCR made a determination that there was an equity in teacher experience, and therefore, federal agencies should use dollar allocations or real salaries, as opposed to average salaries, but that did not get cascaded through the different layers of bureaucracy.”

**Regular Agenda Items**

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

Mr. Patrick Reilly presented the Internal Audit Report, which contained 10 schools and all schools complied with the policies and procedures related to internal funds.

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “This report contains 20 property and inventory audits. A total of 16 locations complied with prescribed policies and procedures. There were 4 locations in the report that contained some audit exceptions consisting of unaccounted for property and failure to follow some prescribed procedures. We noted lately more issues over the surplussing and removal of equipment. There is a process using the Surplus Declaration Transfer Form (3290) that requires serial numbers and information to ensure that the correct assets are removed from the locations. There were 12 schools and 8 departments in this report.”

Dr. Lynch-Walsh stated “On Hawkes Bluff, what is the SMART surplus process? Is that where they’re getting technology through the SMART Program and getting rid of their old stuff?”

Ms. Ali Arcese replied “Correct. The exhibit in the report shows what each school was given when they met with the team and discussed what equipment would be purchased under the SMART Program and what they needed to do as far as the surplus process.”

Dr. Lynch-Walsh stated “On North Lauderdale on page 24, are there consequences for this school?”

Dr. Wanza stated “These findings are noted in her evaluation. For three of the schools, North Lauderdale, Thurgood Marshall and Attucks, we have begun the progressive discipline process.”

Dr. Lynch-Walsh stated “Apparently, Mr. Evans has had this happen twice. What is progressive discipline?”

Dr. Wanza stated “We work with the Office of Employee & Labor Relations. Progressive discipline can start from a summary memo up to and including something that would have to go through a Policy 4.9 process and the final outcome could be termination.”

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Dr. Mack stated “It is not the Audit Committee’s function to get into the District’s employee discipline process.”

Dr. Lynch-Walsh stated “On page 38, it states the Office of the Chief Auditor could not review the police reports because they were unavailable. From a procedural standpoint, if the Office of the Chief Auditor asked the Principal for something, wouldn’t the Director compel the Principal to produce it?”

Dr. Wanza stated “Did the Office of the Chief Auditor receive it after the date of the report?”

Ms. Arcese stated “Yes.”

Mr. Barry stated “Your audit reports are tremendous. I feel very confident that you have done a great job.”

A motion was made to transmit. Motion carried.

**OTHER DISCUSSIONS**

Dr. Lynch-Walsh stated “The Office of the Chief Auditor has been working on a lot of PPO audits this year. I have found open work orders dating back to the 1990s and we, on the Facilities Task Force, have never gotten a clear answer on whether every work order represents dollars that are sitting in PPO’s budget. Plantation Middle has dozens of missing smoke detectors and these are open safety work orders that date back to 2012. One would hope that those open work orders would become part of the larger project. The architects that will be designing all the renovations at these schools seem to understand that smoke detectors, along with fire sprinklers, are life safety issues. How do we get a reconciliation of open safety work orders and then reconcile them with safety inspection reports? For example, Stranahan High was missing smoke detectors four times. The purpose of a smoke detector is to protect inhabitants. A sprinkler system protects the contents. By the time your fire sprinklers come on, provided they exist at a school, the inhabitants are already dead, if you don’t have smoke detectors to let them know there’s a fire.”

Ms. Fertig asked “I know Mr. Corbin is working on Stranahan now. Are you incorporating any open work orders into what you’re doing?”

Mr. Corbin stated “As we begin each project, we do work closely with all District stakeholders, including PPO. As far as our approach to managing the scope, there is no secret that the amount of work identified far exceeds the available funds. For the scope that has been approved by the Board and the voters, if a project such as Stranahan includes the replacement of the fire alarm system, then when we replace that system, whether at Stranahan or any campus. We will bring that system into full compliance with current code requirements. If there are any that have been missing or those that need to be added, that would be addressed during the project, as we move forward with it. The Building Department does a very thorough review, not only as it relates to items such as smoke detectors; they look at all life safety matters. For example, we’re actually moving forward with the fire alarm replacement project on one campus and during that review, a concern related to the corridor conditions was raised by the Building Department. Although not required or identified in the original scope, it is a life safety matter that we are addressing before we move forward with the commencement of construction.”

Dr. Lynch-Walsh stated “These are open work orders that have been generated and they seem to correlate to the safety inspection reports. If there’s an open work order that says a smoke detector is



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missing on the safety inspection report, that to me says it's real. It's a missing smoke detector, because the safety inspectors notated it. Does that mean that the money, since yes, the scope of the project and the budget do not include smoke detectors, but there's already an open work order, so are we going to hear that there's no money for smoke detectors? Are we going to be dipping into reserves, or are we going to, from an accounting standpoint, go to PPO and say we have an open work order? Again, I've never gotten a straight answer. Are there dollars attached to those open work orders currently, which would then mean that you move the money from PPO to this project?"

Mr. Corbin stated "I think that with an item of life safety, as it relates to items such as a smoke detector, if our SMART Program includes improvements to the fire alarm system, we will address that with our scope. If we have no scope associated with the fire alarm improvement with the SMART Program, then that work would remain with the PPO, for them to execute, correct and close that work order."

Dr. Lynch-Walsh stated "Are there dollars attached to these open work orders? Has PPO been sitting on potentially millions of dollars in open work orders for years?"

Ms. Shelley Meloni stated "I don't think there is money sitting there. I think it's identified as a need and included in the annual report. Once the work is initiated, it becomes funded."

Dr. Lynch-Walsh stated "What's the definition of initiated?"

Ms. Meloni stated "When PPO goes out and begins working on a project, that's when the work order gets funded. I don't know the exact mechanism, but that's what I understood."

Ms. Fertig stated "I know you've heard this before, but the time to bring this up is when we do our Audit Plan each year."

Mr. Reilly stated "This is for PPO to address, but based on my accounting background, normally a work order is requested, approved, there's an estimate and then it's funded. I would prefer to get PPO's formal procedures on work orders."

Mr. Corbin stated "The office of Heery and PPO continue to work very closely. Earlier this week, Mr. Sam Bays requested a complete list inside of the SMART Program for all schools slated to receive fire alarm system replacements. It sounds like he is comparing those work order requests vs. the funded scope items inside the SMART Program that relate to fire alarm systems. That helps us to stay coordinated so we don't double dip on items such as these."

Dr. Mack stated "The function of the Audit Committee is to respond to audit reports."

Meeting adjourned at 1.55 p.m.