

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

June 16, 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 1st Floor Board Room. Members and guests were introduced.

Members Present:

Mr. Moses Barnes
Mr. Brendan Aloysius Barry
Ms. Mary Fertig
Mr. Kirk Frohme
Ms. Susan Grant
Mr. John Herbst
Dr. Nathalie Lynch-Walsh
Dr. Henry Mack (attended by phone)
Mr. Robert Mayersohn
Mr. Andrew Medvin

Staff Present:

Mr. Robert W. Runcie, Superintendent of Schools
Dr. Valerie Wanza, Office of School Performance & Accountability
Mr. Maurice Woods, Chief Strategy & Operations Officer
Mr. Tony Hunter, Chief Information Officer, Office of Information & Technology
Mr. Sam Bays, Physical Plant Operations (PPO)
Ms. Mary Coker, Procurement & Warehousing Services
Ms. Danielle Mamede, Procurement & Warehousing Services
Ms. Christy Bradford, CTACE
Ms. Jeziel Garcia, CTACE
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
Ms. Meredith Filcman, Manager, Operational Audits, OCA
Ms. Cecilia Guerrero, Auditor III, OCA

Guests Present:

Mr. Brett Friedman, RSM LLP US
Mr. Shaun Davis, S. Davis & Associates
Ms. Annette Lewis, S. Davis & Associates
Mr. Rob Corbin, Heery International
Mr. Scott Travis, Sun Sentinel

Old Business

Agenda

Ms. Mary Fertig announced a change to the agenda, adding a discussion of the CM @ Risk contract.

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

Minutes

A motion was made to approve the minutes from the April 28, 2016 Audit Committee meeting. Motion carried.

Follow Up Items

Follow Up Item #1 - Internal Audit Report – Property and Inventory Audits of Selected Locations – January 21, 2016

Mr. Patrick Reilly stated “The Committee requested information on procedures for missing laptops and why the procedures differ for students and staff.”

Dr. Valerie Wanza stated “Basically, the procedures for students and staff are outlined in Business Practice Bulletin O-100. The difference is in the Property Pass that is provided to students, as opposed to the Property Pass provided to staff. When students sign out on the Property Pass, it states ‘in case of loss or damage, the borrower will replace equipment at the original purchase price’. The intent here, according to the department that oversees this, is that a laptop is considered an instructional material. It is treated like a library book and if lost, an obligation is created. On the staff’s Property Pass, it states ‘the borrower will adequately compensate the School Board.’ It states ‘this is not applicable to computer borrowing by District staff.’ Staff is in the process of looking at this to see if a recommendation is needed to change these processes going forward.”

Mr. Andrew Medvin stated “How are the student obligations enforced? If the student does not pay the obligation, what are the consequences?”

Dr. Wanza stated “This is treated like all other student obligations. We have a robust process.”

Discussion followed regarding the processes for collecting student obligations.

Dr. Nathalie Lynch-Walsh stated “This came up as a result of a property and inventory audit. There was a letter that said that the parents would be responsible for laptops even when they were in the classroom. No one signed that, because it’s crazy to expect parents to be responsible for a piece of equipment that they have no control over. Everything you just recounted is the way it is. The reason I brought it up is because it probably ought not to be the way it is, especially for kids who are in Title I schools, who can’t afford to replace a computer plug or part. If you are staff, that doesn’t apply to you. It’s a laptop, not a uniform. It was my understanding from the Technology Advisory Committee that these laptops may be covered by the District’s insurance. After six months, we still cannot

confirm whether these laptops are insured or not. That should make a difference in how you treat the students.”

Mr. Tony Hunter stated “Currently, when we purchase laptops, we purchase them with a three year warranty, which covers repairs. There is no insurance purchased with the laptops.”

Dr. Lynch-Walsh stated “So the District purchased laptops to be used by children, who are not always the most responsible and there’s a three-year warranty that does nothing for the kid who simply misplaces a cord.”

Mr. Robert Runcie stated “If equipment is stolen, we have risk insurance. Regardless of whether a student is a Title I student or not, I believe every student needs to learn responsibility. We don’t give students or their families laptops with no accountability. We need to teach our students to be responsible when we issue them equipment. That’s the way it is structured now and I think we need to maintain that process. Lastly, we’ve had computers going home with students for a long time now and we haven’t seen any issues. I don’t see why we’re spending a lot of time on this.”

Ms. Fertig stated “I can see where certain things will happen in the classroom and it’s justifiable. I’m assuming you have a process for that where the child would not be held responsible. We’re going to be looking at a lot of property and inventory reports today where these computers are so old, they are totally depreciated. If you were asking someone for the original cost of one of the Apple computers that’s on this list from 2004, that would seem somewhat unfair, when we are allowing the schools to write them off on these property and inventory reports and not be held accountable.”

Dr. Wanza stated “If we make changes to policy, they will be ready for August when the students come back.”

Regular Agenda Items

S. Davis & Associates, P.A. – Independent Accountant’s Report on Applying Agreed-Upon Procedures on Contracts Between The School Board of Broward County and JDL Technologies, Inc. for the Period from July 1, 2013 through August 31, 2015

Mr. Reilly stated “This is a review we requested of our JDL Technology contracts, specifically some areas related to the Network Operations Center (NOC), where we are switching from using an outside vendor service to in-house services.”

Mr. Shaun Davis and Ms. Annette Lewis summarized and explained the two findings and two comments identified in the audit report.

Dr. Mack stated that he was very pleased with the audit report.

Mr. Runcie stated “I have a solid amount of expertise in this area. I asked Mr. Reilly to conduct this audit after recognizing that we had a vendor that was doing this work for quite some time. There weren’t bidders competing for this IT work. I know in this marketplace, there’s a lot of competition with this type of work. We are absolutely moving forward to implement the recommendations. We’re

not moving forward with renewing this vendor past the expiration of the contract. I am working with Mr. Hunter to bring these services in-house.”

Ms. Susan Grant stated “The management response talks about hiring someone in Purchasing whose job is to track all this. Are there other areas where things have fallen through the cracks in a similar manner?”

Mr. Runcie stated “This is across the board, not just in IT. We are looking at any long term contracts in the District. We are bringing them back to the Board on a regular basis. It’s an ongoing process to review District contracts, regardless of the department, to ensure we get the best pricing available. Also, things change and we’re looking at shorter term contracts to give us the best competitive pricing for goods and services.”

Mr. Moses Barnes asked “Your response stated ‘we concur with the finding and will put things in place’. Are there checks and balances in place so that Procurement and all these departments are on the same page?”

Mr. Tony Hunter stated “Yes. We have in the IT Department a project management officer who is responsible for tracking the status of all contracts. That person works directly with our Procurement & Warehousing Office, which is also tracking the contracts. The two of them together are identifying when it’s time to put a contract out for bid or when a contract is expiring.”

Ms. Fertig asked “It would be simple to have a column that shows the date of Board approval. I would think that would be a part of every contract. To go five years with a contract that was not approved by the Board is a long time. With today’s technology, I think there would be a simple fix.”

Mr. Maurice Woods stated “I think sometimes the best solutions are the simplest. With the enhancements we’ve made to our contract monitoring system, which is SAP, we do exactly that. The first filter is that all of the contracts must be signed by the Board. I’m not sure if this existed prior to 2011. Secondly, those contracts, once they’re signed, are entered into our Contract Management System. It includes the date approved, which would represent the Board’s signature, and then we capture the dollar amount and any other pertinent information. That is what’s used in our ongoing aging reports, to ensure we are tracking the contracts on two fronts. One, we’re ensuring that they’re not exceeding the authorized spend amount allocated by the Board, and we also track the expiration dates and meet with the departments prior to that date to have dialogue about our options.”

Ms. Fertig asked “How much in advance of a contract’s expiration date do you do that?”

Mr. Woods asked “There are two targets. For the spend amount, we look at the target of 75% of the allocated spend authority. The second thing we look at is three months prior to the contract expiration date. As we get better, it would make sense to have that vary, depending on the module or the commodity that we’re purchasing.”

Dr. Lynch-Walsh asked “When you say the District missed an opportunity to negotiate down monitoring fees, did you quantify the difference?”

Ms. Annette Lewis replied “No. Based on the manner in which the response was written, the dollar values weren’t attached to each of the fees, so it was very difficult to determine what the NOC fees were worth.”

Dr. Lynch-Walsh asked “Back in 2011, no tracking system was in place?”

Mr. Runcie stated “The fact that there hasn’t been any competitive solicitation during that period is why this particular audit was requested. Prior to the current School Board, the process for dealing with contracts in this system was to manage the budgets of the departments. There were contracts that were issued and the Board allowed departments to exceed the amounts authorized on the contracts to the extent that the departmental and school budgets were not exceeded. Recognizing that, we had a number of workshops and we changed policy 3320 because the School Board said they would no longer allow that practice. We’re going to manage at both levels, the budget for each location, as well as the contract level. We have done that. It has taken time to actually catch up on contracts throughout the system. We have a whole new system in place.”

Mr. Woods stated “We did have a tracking system prior to 2011, prior to the current administration. That tracking system, SAP, has features and functionality. Because the process of Policy 3320 was focused on the budget component, there were some features and functionalities that were not activated in the SAP system, because they weren’t required or needed. Once the policy changed and we started looking at the spend limits and contract expiration dates, that’s when we went back and did an analysis of the SAP system. We reconfigured the system and now we are doing exactly that.”

Ms. Fertig asked “If a contract is not approved by the School Board, it does not get paid. Is that correct?”

Mr. Woods stated “Yes.”

Mr. Robert Mayersohn asked “Is there a procedure and practice to ensure that we will be getting the best price when using in-house services?”

Mr. Runcie replied “We do quite a bit of analysis for this. We did something similar for Workers’ Compensation, where it was trending in the direction that we didn’t see favorable, due to changes in the marketplace and with the vendor. We recently issued a report showing that we saved approximately \$2.2 million in cost avoidance in that area by bringing it in-house.”

Mr. Hunter stated “When there are new technologies in the marketplace, often the District does not have the skill set to implement those technologies, so the District could benefit from the technology. It’s common practice and often best practice to go with subject matter experts in that area to get it implemented. At the same time, what should happen during this time is that District staff should be trained to maintain and support that technology. That’s what we’re doing now. Our staff has now acquired the necessary skill set around the Network Operations Center. We are now comfortable that we could manage that very efficiently.”

Mr. Kirk Frohme asked “On the report, under Scope of Services, you enumerate the procedures that you perform. Were there any procedures that you intended to perform, but were unable to perform?”

Mr. Davis stated “All procedures were performed.”

Mr. Frohme asked “Did you or staff measure what the savings would be?”

Ms. Lewis replied “Of the \$3.6 million, that was a total contract value for the NOC contract. We did not think about attempting to value that piece, because to the District, it would be fairly new.”

Mr. Frohme asked “If any changes were to be made to this area, someone from staff would do a cost measurement of the savings that might result from that?”

Mr. Hunter stated “That is correct. There will still be costs to operate the Network Operations Center. Not all will be savings, but there are other technology initiatives that the District will need to implement, rather than going back and asking for additional dollars. Those savings can be used to implement those other initiatives, as well.”

Mr. Frohme stated “The savings of \$3.6 million, that’s a gross number. Obviously, the ultimate savings would be net of the incremental cost incurred to develop this expertise internally.”

Mr. Hunter stated “Yes, and to maintain the staff to do that.”

Mr. Frohme stated “I realize that this extended contract expired in June 30, 2016. Are we now on a month-to-month basis beyond that date or have we severed the relationship?”

Mr. Hunter stated “The contract actually expires in a couple of weeks, June 30th of this year. There will be no month-to-month. From that point forward, we’ll be handling in-house.”

Mr. Frohme asked “We have no penalty fees or liquidated damages from the vendor?”

Mr. Hunter stated “No. It’s the natural expiration of the contract.”

Mr. Brendan Barry stated “I think one of my main roles is to review the audits, both internal and external, understand them and feel comfortable with the information, not whether things were done right or wrong whenever they were done. Do I have comfort in the study that you prepared? I do. This is a very good report. Thank you.”

Mr. John Herbst asked “On page 89, management’s response states ‘currently an automated spend report is used to track contract spending and expiration dates of all contracts procured through PWS.’ What contracts are there that are not procured through PWS, and what’s the mechanism for tracking end dates on those?”

Mr. Woods replied “The only instance I can think of that would not come through PWS are instances in which schools, through their discretionary funding, choose to purchase usually smaller dollar contracts.”

Ms. Mary Coker stated “Currently, we do not have a mechanism to track school purchases. We just had a workshop and that was one of the takeaways. We have identified small dollar value purchases. We have created improved tracking mechanisms in the department to ensure we have contracts readily available for use for all the District. We are creating a marketing campaign where we’ll be going out to schools to communicate what contracts are available. That is definitely something we are looking at and we plan to have a mechanism by which to control that in 100% of our contracts.”

Mr. Runcie stated “That’s also one of the challenges that the prior School Board was dealing with. You would have a lot of entities, departments and schools, spending on certain contracts. It was hard to make a determination on what the volume would be on a particular commodity contract. These items would repeatedly come back to the Board and sometimes create delays in the organization, which is why they allowed schools and departments to spend money, if in their budgets. Now, this is creating a challenge to try to estimate what’s on these contracts. We’re going out to schools and departments, looking at trends to try to determine their needs. When we get to 75% of these contracts, whether schools or departments, we have visibility into that. We can begin to be proactive and take action.”

Mr. Herbst stated “When you negotiate a contract, you have a not-to-exceed amount, for example, a contract for \$100,000. Each of the individual schools or departments may be able to purchase using that contract until you’ve reached the \$100,000. You’re saying that previously you were controlling, based on the budgets of the operating divisions, not on the contract. Is that correct?”

Mr. Runcie stated “The schools, in their budgets, may have had the capacity to buy \$200,000, but we wouldn’t know what they would spend. They potentially could exceed that \$100,000 through the course of the year. Now, we are trying to improve the forecasting and put triggers in place. We’re improving our capability through the Procurement & Warehousing Services to monitor that.”

Ms. Coker stated “Through the blanket purchase order, we currently have scenarios such as that, for instance, office supplies, where we have several vendors that have been awarded a contract. The schools have the opportunity to select the vendor. At that time, it’s an aggregated amount through several blanket purchase orders. When referring to the school level purchases, they are small dollar amounts. In our Policy 3320, purchases over \$5,000 require three quotes.”

A motion was made to transmit. Motion carried.

Follow Up Item #2

Mr. Reilly stated “The Committee asked if the \$5.3 million increase in repairs and maintenance identified in the 2014-15 Comprehensive Annual Financial Report was from GOB (General Obligation Bond) or Non-GOB items. This question was if PPO had to take action on a repair, such as a roof, which was scheduled on the DEFP five-year plan, whether the funding was reduced from the five-year plan, and placed in the PPO budget. What was the accounting for that and are we tracking that? I spoke with the Office of Facilities and Construction. After speaking with staff, I think this would require a formal audit to determine the actions. It would take research to determine that. The intent is, of course, if something needs to be done now, but is scheduled for 2018, they would do the work now and basically the bond monies would be reduced. I believe Mr. Runcie or the Audit Committee would have to request a review on this item.”

Ms. Fertig stated “The last item on our agenda, the Office of the Chief Auditor’s Audit Plan, on page 13, Proposed Audits, shows ‘perform operational audit of selected areas within Physical Plant Operations’. It is my understanding that we would look at selected portions of this. Is that correct?”

Mr. Reilly stated “Yes.”

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

Mr. Reilly stated “This report contains sixteen Internal Audit Fund reports. Fifteen schools complied with prescribed policies and procedures. There are multiple Standard Practice Bulletins, Business Practice Bulletins and School Board Policies that guide and govern the Internal Fund Accounting procedures. This report contains one High School in which many of the District’s policies and procedures were circumvented by allowing a teacher to handle the Debate Club’s transactions using a Booster Club. Our office worked with the Broward District Schools Police Department with the investigation of the Debate Booster Club activities and transactions. Our office was able to recover the remaining \$67,309 from the Booster Club, which was closed in June 2015. I would like to clarify, although our audit is complete, the investigation by the Broward District Schools Police Department pertaining to the Booster Club and the Debate teacher is being finalized and a formal close-out of the investigation will be finalized after a written final report is completed by the Broward District Schools Police Department. Our audit revealed that the Debate Booster Club co-mingled funds with the school’s Debate Club and handled cash receipts, deposits and disbursements relating to fundraising, travel and activities for the school’s Debate program. The Debate teacher operated a food concession operation called “The Closet” in her classroom every day during and after school hours. Booster Club records reviewed showed approximately \$6,000 per month was spent for sodas, snacks and microwavable items for resale that generated approximately \$15,000 to \$18,000 in sales each month. Students, teachers and Booster Club members handled money that was required to be deposited into the high school’s Internal Funds checking account; however, the monies were deposited into the Debate Booster Club account. The Booster Club did not keep a general ledger or detailed records. They simply operated using a checkbook. Per discussion with the Booster Club Treasurer, the Debate teacher instructed the Treasurer to prepare checks as directed, often without invoices to support expenditures. The Debate teacher held a lead role as a member of the Debate Booster Club. The Debate teacher’s husband owned a for-profit company called Florida Forensic Institute (FFI), a company that held a Debate Camp at the high school. Per discussion with a former teacher, the Debate teacher pressured students to attend the camp at a cost of \$1,395. Some students received scholarships to attend the FFI camp. The money would come from the Debate Booster Club checking account. The Treasurer would write a check to FFI, as directed by the Debate teacher. Neither the Treasurer nor Booster Club members knew who would receive a scholarship to attend, or the amount or any verification stating who benefited from the funds sent to FFI. In addition, the Debate teacher’s husband had access to the Booster Club checking account and directly paid bills, per the Booster Club Treasurer. The Debate Booster Club is not a registered 501(c)(3) non-profit organization, although they advertised that parents’ donations were tax deductible. The Booster Club used the school’s tax exempt number. The Debate teacher required students to sell candy or make cash payments of approximately \$100 each quarter. If the student did not sell the candy or make the cash payment, the student received an incomplete grade for the debate class. In one school event, checks received payable to Nova High School were improperly diverted and deposited into the Booster Club bank account. We also noted audit exceptions related to disbursements, fundraisers, late remittances, athletic tickets, donations, receipting, missing documents and payroll procedures.”

Dr. Lynch-Walsh asked “Would the teacher have been subject to ethics training?”

Dr. Valerie Wanza stated “There is training for class and club sponsors each year. This may not specifically address the State of Florida Code of Ethics; however, the documentation must be signed by the teachers as part of the orientation activities. There is an expectation for school administrators

when they welcome back their staff and they go into their processes and procedures for next year, that they review the requirements for fundraising, money handling with teachers who are going to serve as class and club sponsors. The department of Athletics and Student Activities also does annual training with our Athletic Directors and coaches regarding Booster Clubs and Booster Club activities.”

Mr. Runcie stated “This was a quality run camp. It wasn’t just Broward County; there were students from all over the State. We have these huge issues here that emerged from this.”

Mr. Barry stated “Who brought this up to the Audit team?”

Mr. Runcie stated “It actually started from a number of parents. Even one of our Cabinet members, who has a student in the school, noted this practice. We started looking into it, starting with our Broward District Schools Police Department and then we brought Mr. Reilly in to look at it, due to the accounting and financial components.”

Mr. Barry stated “It’s a scathing report on every level. This is exactly what you’re supposed to do, Mr. Reilly. This is a great report. One of the follow up letters states there would be some disciplinary action related to the Principal. I do think at some point this has to come back to the Principal’s desk. What’s the update on this?”

Dr. Wanza stated “I am working with our Employee and Labor Relations Department. While I cannot violate the employee’s rights, we are working within the guidelines of Policy 4.9. A recommendation will be coming to the Board within a month or so.”

Mr. Runcie stated “That particular teacher is no longer employed, but we believe that the issues in here are significant enough that we’ve turned it over to the State Attorney’s Office. Given some of the tax related issues, we believe the IRS may get involved also.”

Dr. Wanza stated “It is also being referred to the State of Florida. For the individuals involved who have certificates, the State may wish to take action against their professional educator certificates.”

Mr. Herbst stated “I question how widespread the awareness of this practice was throughout the school. That’s my concern. It’s not just one teacher who retired. I’m certain that there was knowledge of this throughout the organization.”

Mr. Barnes stated “I think the response from the Principal where he states that he initiated the investigation needs to be revised, because he’s saying he didn’t know this was going on.”

Mr. Mayersohn asked “When you say the teacher had a lead role, was she an officer in the Booster Club?”

Mr. Reilly replied “She didn’t have a title, but she directed every move and every expenditure. The Booster Club’s Bookkeeper stated that she was directed to write checks without invoices or documentation. For the monies that were taken from the Booster Club that went to the FFI Camp, there was no mention of who was receiving the money or why.”

Mr. Mayersohn asked “Are Booster Clubs required to sign conflict of interest forms?”

Mr. Reilly stated “We have the Florida Statutes Conflict of Interest policies which govern all of us. The individual definitely had an incentive to get the students to attend her husband’s camp. There were a lot of people who benefited from the camp, but there were others who didn’t benefit. Some people who paid the \$100 each quarter didn’t benefit from the money that they put into it.”

Mr. Mayersohn asked “The sales tax exemption that was used, are there any IRS issues that need to be addressed? If you use the exemption, it must come from that fund, as opposed to coming from some other fund. Is there anything the District needs to do to reconcile that with the IRS?”

Mr. Reilly stated “We may do that. We have that spelled out in our Policy 1002.1 to notify the IRS or State Sales Tax Office in these instances.”

Mr. Mayersohn stated “You’ve got Policies 3411 and 3.1. Some of the items in both seem to be conflicting with the message that’s there. One talks about school personnel collecting funds and says it doesn’t prohibit someone from serving on a school-allied organization. The other says anything collected for any group or fundraiser collected by the school personnel should be put into internal accounts. In the future, someone may want to take a look at these policies and morph them together.”

Mr. Reilly stated “That’s true. We’ve updated Standard Practice Bulletin I-101 and that really covers how an outside organization should operate versus a District run operation.”

Ms. Fertig stated “The real problem I see here, aside from the obvious conflict of interest, is the ‘pay to play’, which is clearly spelled out in the District policies and Standard Practice Bulletins. There are lots of booster clubs that make contributions that don’t require you to pay in exchange for a grade or a place on the team. I think this was a very graphic audit.”

Mr. Runcie stated “We are absolutely using this as a teaching tool for our Principals and those who sponsor clubs and activities throughout the county.”

Ms. Grant stated “I think the audit is well done and it looks like you’re taking it very seriously. I appreciate that.”

Mr. Frohme asked “As part of your audit scope, were you looking at the \$100,000 decrease in your cash balances from June 30, 2014 to June 30, 2015? Were there any large expenditures in that area that gave you concern?”

Mr. Reilly stated “Part of that was related to a donation that was made to the school approximately 10 years ago for \$250,000. There’s a comment in the report about that. We wanted to see the donor’s original request. It was supposed to be related to athletics, but this year they began to spend that money.”

Mr. Frohme asked “Were the expenditures made in accordance with the grant?”

Mr. Reilly replied “Our concern is that the donor’s letter could not be located. The school’s administration said they were going to obtain a new letter; however, the new letter they provided was on the school’s letterhead, rather than the donor’s letterhead. We were not comfortable that this new letter was in accordance with the donor’s wishes.”

Mr. Frohme asked “There is still a balance of approximately \$130,000 that hasn’t been expended as of June 30, 2015. Correct?”

Mr. Reilly stated “Yes.”

Mr. Frohme asked “My concern is if these expenditures were not in accordance with the grant, we are running the risk that we might have to return the entire grant.”

Mr. Reilly stated “Yes, that’s a possibility.”

Mr. Frohme asked “Is there anything in place to ensure that the grantor is aware of the nature of these expenditures?”

Mr. Reilly stated “That was our concern.”

Mr. Runcie stated “Mr. Reilly will review the requirements of the grant.”

Ms. Fertig stated “I think that booster clubs exist because volunteers want to do good things for schools. It’s incumbent upon us as a District to give them the policies and Standard Practice Bulletins and provide training.”

Dr. Wanza stated “We are doing additional training between School Performance and Accountability and Athletics and Student Activities Departments.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This report contains twenty-eight District property and inventory audits, of which twenty-one locations complied with all policies and procedures related to Business Practice Bulletin O-100 (Procedures for Property and Inventory Control). There were 7 locations in the report that contained some audit exceptions consisting of unaccounted for property and failure to follow some prescribed procedures. Business Practice Bulletin O-100 Procedures for Property and Inventory Control outlines the policies and procedures that govern property and inventory control. For the 28 locations, 22,880 items were listed in the property records at a historical cost of \$43,770,457. For the 28 locations included in this report, a total of 136 items could not be accounted for with a historical cost of \$196,134.

Mr. Mayersohn asked “We see some of the same issues. I’m referring to Pompano Beach. Is there some type of refresher course for Principals?”

Dr. Wanza stated “The first five years, we did quarterly checks and that’s how we improved a lot. The last three years, our focus was more on instruction. I’ll be the first to admit we took our eye off of operations. That’s why when I came into this role, the very first thing I did was require all Principals to attend training on all operational issues, including property and inventory and internal accounts. We will get back to more consistent monitoring of our school Principals and a lot of training on the front end.”

Dr. Lynch-Walsh asked “Is the training verbal or on-line?”

Dr. Wanza stated “We have PowerPoints, visual aids, materials, hand-outs and the training is face-to-face.”

Mr. Reilly stated “All forms are also on our website.”

A motion was made to transmit. Motion carried.

Other Business

CM @ Risk Contracts

Discussions were held about having a special meeting to review the CM @ Risk Contract and provide input. As discussed at the April 12, 2016 Board workshop, it was requested that the Audit Committee review the CM @ Risk contract. At the April 28, 2016 Audit Committee meeting, no contract was ready for review. The Audit Committee hoped that a document would be available for review by mid-May; however, it wasn't until June 15, 2016 that we received a CM @ Risk contract to review. It was concluded that there was not sufficient time for review or discussion by the Audit Committee and that a letter would be prepared and presented at the School Board's June 28, 2016 workshop.

Tentative Audit Committee Meeting Dates for 2016-2017

The tentative dates for the 2016-2017 Audit Committee meetings were approved.

Summary of Audit Activities for 2015-2016 and Proposed Audit Plan for the 2016-2017 Fiscal Year

Dr. Mack asked about the bond technology equipment on page 14.

Mr. Reilly stated "That's the name they gave for IT equipment that Charter schools purchase from the Bond funds. The Bond Oversight Committee ensures that the funds from the bond used for IT equipment for Charter Schools is accounted for. That's a new task that our department has to perform."

Dr. Mack asked about page 16, Item 1.

Mr. Herbst asked "Are you a member of these committees or are you attending them to observe?"

Mr. Reilly stated "We're considered non-voting members."

Dr. Mack asked about adding an audit of the M/WBE participation.

Mr. Reilly stated "An audit was performed by an external audit firm of the M/WBE, which led to the Disparity Study Work Group that is making changes to the M/WBE process."

Mr. Barry stated "I believe we discussed doing an audit of the SunPass invoices."

Mr. Reilly stated "That is covered under Item #3 in the Operational Audits."

Dr. Lynch-Walsh asked about auditing the accounting areas of the PPO Department.

Ms. Fertig stated "On page 13, #1, Perform Operational Audit of Selected Areas within Physical Plant Operations, specifically work orders. Is there something you want to add? As I see it, that's already on there."

Dr. Lynch-Walsh stated "That doesn't capture the accounting part of it."

Mr. Reilly stated “A lot of the expenditures flow through PPO through the work order system.”

Dr. Lynch-Walsh stated “If you could focus on roofing, HVAC and other things that you know are projects in the Bond.”

Mr. Reilly said “Sure.”

Dr. Lynch-Walsh asked about page 14, regarding the P-Card audit in progress, what about the Superintendent’s spending authority to \$50,000? We had an issue last year where a vendor was paid for services never rendered.”

Ms. Fertig stated “That is a portion of Policy 3320.”

Mr. Reilly stated “If that’s something the Committee wants to do, there might be something else that needs to be removed from the Audit Plan.”

Ms. Fertig asked for the item to be added and discussed at the Board meeting.

Mr. Mayersohn asked about Page 14, Item #4 under Operational Audits – Is ESE covering the IDEA grant or is it covering any funds received from the State regarding matrix funds?”

Mr. Reilly stated “This was originally on last year’s Audit Plan, and the State Auditors looked at that area this year. We held off on that until we received their report, which led to some issues regarding Title I funds. We have discussed that with Mr. Runcie. We haven’t developed the scope yet, but it’s an area that we want to look at.”

Mr. Mayersohn stated “The concern of a lot of ESE parents is that matrix funding received from the State is accurately spent, based upon the IEP’s at the individual schools. That may be something you want to look at in the scope. Also, under the Schedule of Cost and Available Resources, I ask through the Chair if the Chief Auditor needs any additional funding that you would like us to request from the Board?”

Ms. Fertig stated “At the last meeting, we asked for more auditors for this department. I will ask that again on June 28, 2016.”

Ms. Fertig summarized the suggestions. “I have SunPass, M/WBE, contracts under \$50,000 under Policy 3320 and ESE to revisit the audit that was performed a couple of years ago.”

A motion was made to transmit. Motion carried.

Meeting adjourned at 3:45 p.m.