

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

MINUTES OF AUDIT COMMITTEE MEETING

November 17, 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. Moses Barnes  
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  
Mr. Daniel Traeger

Staff Present:

Mr. Jeff Moquin, Chief of Staff  
Mr. Maurice Woods, Chief Strategy & Operations Officer  
Ms. Mary Coker, Director, Procurement & Warehousing Services  
Mr. Omar Shim, Director, Capital Budget Department  
Mr. Ivan Perrone, Treasurer  
Mr. Sam Bays, Director, Physical Plant Operations Division  
Mr. Alan Strauss, Office of School Performance & Accountability  
Mr. Daniel Gohl, Chief Academic Officer  
Ms. Shelley Meloni, Director, Pre-Construction, Office of Facilities & Construction  
Ms. Erum Motiwala, Accounting & Financial Reporting  
Ms. Cindy Allen, Accounting & Financial Reporting  
Mr. Jermoth Rose, Accounting & Financial Reporting  
Ms. Danielle Mamede, Procurement & Warehousing Services  
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  
Mr. Gerardo Usallan, Manager, Facility Audits, OCA  
Ms. Meredith Filcman, Manager, Operational Audits, OCA  
Mr. Patrick Beauvoir, Auditor III, 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

## **Old Business**

### **Agenda**

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

### **Minutes**

A motion was made to approve the minutes from the October 20, 2016 Audit Committee meeting. Motion carried.

### **Follow Up Items**

#### **Follow Up Item #1 – Other Discussions – Federal Awards Finding 2015-001 – Title I Grants to Local Educational Agencies – June 16, 2016**

Mr. Patrick Reilly stated “At the last meeting, the Committee requested the Title I application, which was provided to you by email this week. Also, the discussion from the October 20, 2016 Audit Committee meeting is verbatim in the minutes of the meeting.”

Dr. Nathalie Lynch-Walsh stated “Definitely, the minutes reflect the conversation, but I had asked for a summary of what Title I was saying. I was looking for an Executive Summary.”

Mr. Daniel Gohl stated “We can provide an Executive Summary. The new material, as part of the update, as I referenced during my commentary in response to the Audit Committee’s inquiries, we were awaiting a letter from the DOE called a Project Award Notification. That is one of the documents that you received. On the first page in Section 11, under Terms and Special Conditions, these four bullet points articulate what the State’s requirements to us are and closes out the questions from the audit that necessitated us to come here and speak. You’ll see there are several deadlines. I’ve directed staff that this Committee is to be provided with any documentation that we provide to the State. We have ongoing follow up. You’ll see the first one is January 31, 2017. You should look for this in subsequent meetings as part of Old Business.”

### **Regular Agenda Items**

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

Mr. Reilly presented the Internal Audit Report, which contained 12 schools and all schools complied with the policies and procedures related to internal funds.

Mr. Robert Mayersohn commended all the schools in the audit.

A motion was made to transmit. Motion carried.

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

Mr. Reilly stated “This report contains 8 property and inventory audits. A total of 5 locations complied with prescribed policies and procedures. There were 3 locations in the report that contained some audit exceptions consisting of unaccounted for property and failure to follow some prescribed procedures. The historical cost value of the property was approximately \$16 million with 92 items missing, valued at a historical cost of \$168,000.”

Ms. Susan Grant commended the two schools that had no missing items.

A motion was made to transmit. Motion carried.

### **Internal Audit Report - Audit of the Procurement and Warehousing Services’ Purchasing Card (P-Card) Services for the Period from July 1, 2015 through September 30, 2015**

Mr. Reilly stated “In accordance with our 2016-2017 Audit Plan, we reviewed the Procurement and Warehousing Services’ Purchasing Card (P-Card) Services for the period from July 1, 2015 through September 30, 2015. The primary objectives of the audit were to determine and confirm that P-Card purchases were valid and justified only for business purposes and in accordance with the School District’s Policies and State regulations. We audited the Purchase Card (P-Card) Services’ contract, expenditures, invoices and timeliness of cancellation of P-Cards for the period July 1, 2015 through September 30, 2015. Previously, we performed a Review of Purchasing Card Purchases and Expenditures within the Physical Plant Operations Department dated October 16, 2014. A follow up to the prior audit included a review of four carpet projects purchased with a P-Card. Two projects identified invoicing errors which required refunds from the vendor, where installation labor costs were overcharged. As part of the scope of our audit, we reviewed three hundred and five (305) P-Card transactions, in which policies and procedures pertaining to P-Card purchases were followed for the majority of purchases. We did identify internal control procedures that should be strengthened relating to compliance with the Purchasing Card Policies and Procedures Manual; specifically, procedures for the cancellation/deactivation of P-Cards when staff members are no longer in a department. Supporting documentation should be obtained before approval is granted when single purchase card limits will exceed the cardholder’s single purchase limit. Compliance should be strengthened for the Purchasing Card reconciliation processes and monitoring P-Card users’ documentation submission. A better system of filing is needed for purchasing card documentation and reconciling P-Card statements and supporting documentation by the P-Card Services Department.”

Ms. Fertig asked “What department responded to the findings?”

Mr. Reilly replied “Procurement & Warehousing Services and Physical Plant Operations.”

Mr. Moses Barnes stated “On page 10, management disagreed with the recommendation.”

Dr. Lynch-Walsh stated “They also disagreed with Finding Number 1.”

Mr. Reilly stated “For the first finding, management did not disagree with the finding; they disagreed with the recommendation. For Finding Number 2, they disagreed with the finding.”

Ms. Mary Coker stated “We disagreed because this was not a PPO purchase. It was another purchase for Food and Nutrition, so the finding is specific to PPO.”

Ms. Fertig asked “But do you agree that the expenditure exceeded the amount allowed?”

Ms. Grant stated “It states that they subsequently did find the documentation.”

Ms. Coker stated “We did find the back-up documentation for those eleven items that were supposedly missing. It did exist. It’s a manual process where the P-Card Administrator prints the email and keeps it manually. We have made some recommendations for alternative actions as to how we are going to keep a shared drive with that information.”

Mr. Reilly stated “Exhibit 6 on page 37 shows the specific items that were purchased. Most of those were PPO purchases. During the audit, the documentation was not presented. We were concerned that sometimes the documentation is not there prior to the approval. Sometimes it would come after by phone call. That was our understanding during the audit. I agree that this should be automated. The control is that if you’re going to increase the single purchase limit from \$5,000 to \$5,500, that documentation needs to be presented for approval prior to purchasing, as required by your Procedure manual.”

Ms. Coker stated “You are correct. We have a \$5,000 limit and we have a process in place where the person making the requisition goes through the Warehouse Department. They actually are the ones who receive the requisition. They go to the Purchasing Agent related to that commodity and ensure that the process is followed to obtain that back-up. Also, if you receive an invoice for \$9,000, you would assume it was a total purchase of \$9,000; however, it could have been 3 purchases for \$3,000 each that were combined. The Purchasing Agents have been trained so when they speak to vendors to ensure that they don’t put multiple purchases on one invoice.”

Ms. Fertig asked “Were there any cases when the purchase was made without getting the authorization in advance to increase the amount?”

Ms. Coker stated “Yes, there was one case.”

Mr. Reilly stated “During the audit, if you don’t have the documentation, then we cannot substantiate that the controls were in place while the transactions were transpiring. As you see on Exhibit 6 on page 37, those are the single purchase amounts. The control is to ensure that if you’re going to purchase something, you don’t want someone to be able to spend more than \$5,000 for a single purchase. It doesn’t matter if it’s three items that are \$3,000 each, like your example. The control needs to be there. We have 891 people who have P-Cards; controls have to be in place over the process.”

Mr. John Herbst stated “The documentation was not there when the audit was performed, so there was no competent evidence of supervisory review and approval available. How was it subsequently located? Where was it that it wasn’t where it should have been during the audit?”

Ms. Coker stated “Our P-Card Administrator, who has been performing the function for many years, advised that the documentation was turned in to an employee. That employee is no longer in the Audit

Department. The version I received was that when he was asked for the documentation, he provided it once more. Apparently, it never made it to the Audit Department or the Audit Department never received it. There's a little misunderstanding here as to the time it was asked for. It wasn't missing. It was there when we asked for it again."

Mr. Reilly stated "We have an audit team that reviewed this audit. One of those auditors has left the District, but my auditor who is still here asked for that documentation on several occasions so we could clear that finding and it was not available. You always can get the source document from the department that originated the transaction. At the point of increasing the single purchase limit, the documentation was not there to verify the reasonableness for approval. The person who left may have asked for this documentation, but I know our current auditor asked for this documentation on multiple occasions."

Ms. Coker stated "I'm new to the District. We have put additional controls in place, not only around the procurement, but also on the P-Card administration. We're looking to update our P-Card policies. Also, we've moved on from paperwork back-up to electronic back-up, which will eliminate some of these issues that you've identified."

Dr. Lynch-Walsh stated "In reviewing this item, the only job description I could find associated with the P-Card was the P-Card Coordinator. The P-Card Program Policies and Procedures Manual identifies two people, Mr. Carmelo Guerra, as the P-Card Administrator and Ms. Laura Rather as the Purchasing Card Assistant. There's no job description matching those two positions on line. This suggests that those two jobs don't exist. On the Procurement website, it does identify those two people. Guerra is the P-Card Coordinator, which matches the one job description I did find in the system and Laura Rather is identified as Office Manager II. You have a procedure manual that is citing positions that do not appear to be actual positions. We were discussing the validity of these responses. You have to go to the Purchasing Card Coordinator for the job description. There are a number of responsibilities in there which would have negated those responses. For instance, number 5 in the job description ties into Finding Number 1. Monitor the number and status of purchase cards, the status of cardholders and status of unpaid charges. There's 20 duties associated with this Program Coordinator. In responding to what Procurement will and won't do and what the P-Card people will and won't do, I'm pretty sure you can't say that they won't do things that are in their job description. I'm concerned that we have a recommendation and a response that appears to not even acknowledge that the only job that exists is this Purchasing Card Coordinator and their responsibilities do align with the recommended action that the auditors have cited. Essentially, if they were doing their job according to their job description, you might not have had these findings."

Mr. Reilly stated "The idea of the P-Card evolved with the idea of saving the cost of creating requisitions, purchase orders, checks, reconciling bank statements, etc. The idea was for small purchases, such as office supplies under \$100. That's how it started. It's been in place for multiple years now and the District has expanded the use to include utilities, because there are incentives, where the more you use the P-Card, you can be eligible for rebates each year. It is good to expedite purchases, but there are times when you would want to use a formal purchase order for some particular areas. It's really a payment method that speeds up the process for smaller purchases, but has expanded to a lot more. The last time we performed this audit, there were 222 P-Card holders; now we have 891. I believe this last month we averaged approximately \$2.5 million."

Mr. Andrew Medvin stated “According to the procedures that are supposedly in place, which determine who gets access to a card and their credit limit, page 37 shows all transactions had a purchase limit of \$5,000; however, they all exceeded \$5,000. I’m not questioning the authorization. If you have a credit card that’s issued by a bank, there’s a credit limit. How could a charge go through in excess of the credit limit?”

Ms. Coker stated “That’s not a credit limit on the card; that’s a threshold limit by which we shouldn’t make purchases above that amount. The single purchase limit is per transaction. These are pre-paid cards whereas if the budget is not allocated, they should only be able to use what has been allocated and normally these are small amounts at a time. This is why they have to ask for additional spending.”

Mr. Medvin stated “These items that were approved and in the budget exceeded the \$5,000.”

Mr. Frohme stated “I think we have two issues here on page 37. First, we have a documentation issue, which is disturbing and one particular card 4767 must have an incredibly large credit limit, if he’s processing charges of \$200,000 over a month and a half period. Almost all charges are with the same vendor. That requires an explanation.”

Ms. Coker stated “There is a competitive solicitation behind that bid. The District uses P-Cards as a payment method. There is an existing bid for a commodity. If you look at the same vendor, they are all for the stockroom, so they may be used for specific things required for Maintenance. The single transaction should not exceed \$5,000 for one single item. Let’s say they need to buy significant amounts of another commodity, within the same scope. They can use the P-Card because there’s a competitive bid. The same vendor has already provided pricing for that commodity. When you see these that say \$38,000, it could have been that the amount of items purchased were individually less than \$5,000 and they bought 6 of them. It would look as if it were over the \$5,000 threshold, but that’s not necessarily the case. As mentioned, the vendor could be combining these invoices, and they look as if they’re exceeding the \$5,000. I’m not saying that there wasn’t a finding; I’m saying you can’t assume because it says \$40,000, that it was one single purchase.”

Mr. Frohme stated “For example, on July 13<sup>th</sup>, \$43,655, you agree that all those purchases were on that day and you’re saying there could have been multiple invoices on that day that exceeded the \$43,000.”

Ms. Coker stated “Yes, all on that same day.”

Mr. Frohme stated “Not only do they exceed their credit limit, but for these particular ones, there’s no documentation provided.”

Ms. Coker stated “They didn’t exceed the credit limit, because each item was less than \$5,000.”

Mr. Frohme stated “Still, no documentation provided is astounding, based on the dollar magnitude of these transactions.”

Ms. Fertig asked “You say that all these contracts were bid. Did they go to the Board for authorization?”

Ms. Coker stated “Yes. The P-Card agent can go, if there’s a commodity that’s on a specific bid, and purchase through that vendor. Of course they’re Board approved. If it’s a bid with a bid number, it’s been Board approved. If a purchase is under \$5,000, we can go on line and purchase it. If it’s over \$5,000, we would require three quotes. If it’s over \$5,000 and it’s a commodity that’s already under a bid, we can just use that bid, because it’s already an approved bid with an approved vendor.”

Mr. Jeff Moquin stated “The \$5,000 threshold is primarily established, because anything with a unit cost above \$5,000 would require me to do some other form of procurement process in terms of the three quotes.”

Mr. Reilly stated “For example, we were talking about Shaw Contract Flooring. We have a contract for that. The issue about whether they have to get a bid is irrelevant. We’re talking about the P-Card holder’s ability to make a transaction over \$5,000. Exhibit 6 is a sample of twenty-three that we identified. Eleven of those had the documentation problem. As you can see, we commented on whether they did or didn’t have the documentation. The PPO employees who have P-Cards are purchasing for the tradespeople. They have an average credit limit of over \$100,000 a month. These are already established things that we buy. This is just a control over purchasing. There are multiple controls for the departments that are issued P-Cards. When they get the P-Card, they agree on a credit limit and that they will only use the card for business, but then there’s a monitoring process. The Administrator of that department has to sign, as well as the cardholder, when they submit their reconciliation of what they purchased that month that goes back to the P-Card Services Department. The P-Card Services Department then reviews and monitors those purchases as part of the job function, which is already established in the Procedure Manual. The issue about the title Purchasing Card Coordinator vs. Purchasing Card Administrator, that’s the same thing. The manual used the word administrator and the job description used the word coordinator.”

Mr. Frohme stated “As part of the exit process, wouldn’t a step be to get the P-Card back from the employee on the date of termination, rather than having the exposure for a few days to as long as a year, in one case?”

Mr. Reilly stated “Yes, I think it should be immediately upon termination. As big as our District is, each location has to take the lead when someone in their department is leaving. They need to get the employee’s badge, computer, etc.”

Mr. Frohme stated “I’m sure there’s a checklist. They should add the P-Card to that list.”

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

Dr. Henry Mack asked “When management disagrees with the finding, the Superintendent needs to make a decision. That’s what happens when the two departments do not agree. All of this discussion today should have taken place during the audit process. This Committee is not made up of auditors. We are not problem solvers; that’s what management is paid for.”

Ms. Grant asked “For the 40 of 50 P-Cards that were not terminated timely, did you do any audit procedures to ensure there were no charges on those?”

Mr. Reilly stated “Yes. On Findings 1 and 3, there was no disagreement with the findings. Management’s responses to the recommendations were a little different. I have no problem if management has an alternative method to correct something. That’s fine. We’re trying to safeguard the assets and improve the procedures. What caused me to add an additional response for Finding No. 2, was if the documentation was not there, you cannot verify that the function of reviewing the documents was performed.”

Mr. Mayersohn stated “You stated initially that we had 80 P-Cards and now we have 800, so you have a 400% increase. It seems to me that the P-Card, based upon this audit, has gotten way out of hand as to how it’s being used. I think the Superintendent should look at how it’s being utilized.”

Mr. Dan Traeger stated “Mr. Reilly, I think you did a great job. With 891 P-Cards, being a former administrator, I know how difficult it can be for compliance.”

Dr. Lynch-Walsh stated “Let me explain why it does matter what we call this person in charge of this program. The job description, as well as the position itself, is approved by the Board. There is one job description for one person. There is no P-Card Assistant in the database of jobs, so we are calling people things who may or may not have the skillset necessary to do the jobs that they are performing. The P-Card Coordinator; this was last approved by the Board in 2003. There are minimal qualifications on here. There are essential performance responsibilities that the Board would have agreed were essential to being able to carry out this function, such as Number 5 ‘monitor the number and status of purchase cards, the status of cardholders and the status of unpaid charges’. In Finding #1 on page 7, management’s disagreement says that PWS does not consider it an effective measure for the P-Card team to consistently check the regular School Board agenda for changes in personnel. Essentially, this response says that they do not think it’s an effective use of their time to do Number 5 in this person’s job description. Whatever manner they take, whether it is reviewing the Board agenda, there doesn’t seem to be another route to do this. That was a recommendation made by the auditors. If they had another suggestion, they should have stated an alternative plan in their response. The manual, which was revised in 2015 when Ruby Crenshaw was here, I don’t think would have been approved by the Board; it’s not required to be. We have a manual with watered down functions that contradict the functions in the Board approved job description. Management has no basis for this disagreement. We don’t have an issue where management is disagreeing with the auditors. I’m saying management doesn’t know what they’re talking about. That’s for Finding Number 1. I suggest that they get up to speed on what an audit is for and this Purchasing Card Coordinator’s job function. Unless you can find another job description, and so far, I haven’t had anyone sitting on my left tell me that I’m wrong, that means this is the only job in there. On Finding Number 2, let’s look at the job description again. Number 7 ‘monitor item spending and audit the department’s spending, Number 9 - promptly advise bank of an employee’s termination of employment and collect P-Cards issued from an employer cardholder whose employment has been terminated, Number 13 – monitor and report potentially fraudulent transactions. There are a number of functions in here that are simply not being performed. You cannot disagree with the auditors on something that you’re required to do that the Board approved as a requirement of the position. You have management disagreeing and their basis for disagreeing is flawed. I’m very concerned because this response was reviewed and approved by Procurement’s supervisor, Mr. Woods. I’m floored that no one seems to know that this job description exists. Everyone is going by this manual, which is contradicting this job description.”



A motion was made to transmit, adding that the District review the P-Card system. Also, a motion was made to modify the exit interview process to ensure that the P-Card is returned and cancelled with the institution and to incorporate some of the Committee's comments. Motion carried.

Ms. Fertig stated "We move to transmit this report with a recommendation to review the P-Card process including the discussion and suggestions made by the Audit Committee."

Mr. Reilly stated "The audit is complete. The responses have been made. The Audit Committee has made some comments. I think the best thing for us to do is to perform a current status review several months from now. I'm not sure why you're making a point to review the P-Card process; that basically was done."

Mr. Mayersohn stated "I'm not suggesting the Audit Department do a review; I'm suggesting that management review the process that's in place."

Ms. Fertig stated "We are not asking the Audit Department to do a review; we are asking management."

Mr. Woods stated "I concur with that. I would like to go back and look at some of these 2003 job descriptions and re-align those to where we are today with technology and processes. I agree that there needs to be a review of the entire P-Card process."

Dr. Lynch-Walsh stated "There is nothing wrong with the 2003 job description in terms of safeguarding the organization's assets. There is a problem with the watered-down responsibilities in the manual. I wouldn't want to wait six months for an update. This needs to be addressed immediately."

A motion was made to transmit. Motion carried.

### **RSM US LLP - Comprehensive Annual Financial Report – June 30, 2016**

Mr. Brett Friedman stated "We are about 98% done with the financial audit now. There's a target date of next Tuesday to release our opinion on the financials, which at this point, there's nothing preventing us from issuing an unmodified opinion. Also, the compliance audit is 80% done. That will be presented at the next Committee meeting. At that time, we will present the results of the Single Audit and Management Letter comments."

Ms. Erum Motiwala stated "There are two sets of financial statements presented in the CAFR; the Government-wide financial statements and Fund financial statements. The government-wide financial statements are designed to provide the reader with a view of the District as a whole, as presented in the Statement of Net Position and Statement of Activities. These statements include all assets and liabilities, using the accrual basis of accounting, similar to the private sector companies. As reflected in the Government-wide financial statements, the District had \$2.6 billion in revenues, a decrease of \$71.9 million, or 2.6%, from the prior year. The decrease in revenues is due to the refunding of debt, offset by an increase in Florida Education Finance Program (FEFP), and an increase in ad valorem taxes (including General, Debt and Capital Funds). Ad valorem taxes increased due to an increase in the total assessed property values. The District had \$2.6 billion in

expenses (including \$127.9 million in depreciation expense), an increase of \$42.4 million, or 1.6%, from the prior year primarily due to the recording of the current year pension expenses, as required by GASB *Statement No. 68, "Accounting and Financial Reporting for Pensions."* The increase was offset by a decrease in interest expenses due to the impact of refinancing and payment of debt. The District's debt (Bonds Payable, Certificates of Participation and Capital Leases) decreased by \$107.3 million, or 5.9%. The decrease was due to the repayment of principal and the refunding of the Certificates of Participation. The District's net position increased by \$10.0 million, or 1.7%, to \$597.1 million. The significant portion of the District's net position reflects its net investment in capital assets (i.e., land, buildings, furniture and equipment) less any related debt used to acquire those assets. The large amount of the remaining net position (\$140.9 million) is restricted for capital projects. The Fund Financial Statements are generally presented on a modified accrual basis. They provide detailed information about the District's major governmental fund, as well as proprietary and fiduciary funds. Governmental fund information helps determine what financial resources will be available in the near future to support educational programs. Proprietary funds are used to report the activities in the District's internal service fund used to record the financing of goods and services provided by one department to another on a cost reimbursement basis. The District's fiduciary fund consists of an agency fund to account for student activities. The overall General Fund Balance (the primary operating fund) increased by \$17.7 million, or 11.0%, to \$179.2 million. The increase is mainly due to increases in ad valorem tax revenues as a result of an increase in total assessed property values. The District has committed \$54.3 million of fund balance in the General Fund for self-insurance. The assigned and unassigned portion of the fund balance increased by \$5.5 million compared to last year, from \$82.5 million to \$88 million as of June 30, 2016. That's 4.3% of the General Fund's total revenues. On September 29, 2015, the District issued \$125.0 million Tax Anticipation Notes, Series 2015. On September 11, 2015, the District issued the Certificates of Participation, Series 2015C for \$65.2 million to currently refund the Certificates of Participation Series 2006B. On April 27, 2016, the District issued the Certificate of Participation, Series 2016A for \$198.2 million to currently refund the majority of the Certificates of Participation Series 2008A and Series 2016B for \$18.7 million to refund the Certificates of Participation, Series 2009A T-E., through a competitive sales process. The District was able to capitalize on the low interest rate environment that occurred at the beginning of the year due to favorable market conditions. The District realized a net present value (NPV) savings of more than \$24.1 million. There were ninety-nine operating Charter School sites in fiscal year 2016. However, three schools were closed in fiscal year 2016. For financial reporting purposes, ninety-six of the Charter schools are included in the basic financial statements of the District as discretely presented component units. The audited financial information for the Broward Education Foundation is included in the CAFR. The Association of School Business Officials (ASBO) International awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2015. This was the thirty-third consecutive year that the District has received this prestigious award. Additionally, the Government Finance Officers Association of the United States and Canada (GFOA) awarded the District the Certificate of Achievement for Excellence in Financial Reporting for the twentieth consecutive year. The District adopted GASB *Statement No. 72, "Fair Value Measurement and Application"* beginning with its year ending June 30, 2016. GASB 72 requires investments to be measured at fair value. The requirements of this Statement will enhance comparability of financial statements between public-sector entities and their private-sector counterparts. It's important for the reader of the financial statements to read and evaluate all sections, including the footnotes and other required governmental information."

Discussion followed.

A motion was made to transmit. Motion carried.

## **OTHER DISCUSSIONS**

### **Discussion of CM @ Risk Contracts**

Dr. Mack stated “We’ve been using this contract already. There’s nothing I can come up with now that can change that. I recommend that they continue using it and monitor the effects of the contract for now.”

Ms. Fertig stated “They needed to move ahead in June or July. We tried to meet but could not make quorum, so if we had recommendations for changes, they would give us an opportunity going forward, after the first three or four contracts were used.”

Mr. Rob Corbin stated “We have rolled out this contract for the three projects, Stranahan, Northeast, and Blanche Ely. The Board approved the award of those contracts on November 1, 2016 to the firms so that work could begin. We are interested in the feedback from this committee so that we can continue to improve upon this process and these documents. We do have the intent to identify other similar types of projects that would benefit from this delivery method. As such, if there are means or areas to improve upon this delivery method, we would like to receive those comments, so we can review them and incorporate in the ones that could result in overall improvement.”

Dr. Mack stated “In terms of liability, I don’t think the School Board is at risk. I will review the document again and will submit my comments in writing. You can decide whether you want to send them on or not. I don’t think we should use the committee’s time to do that today.”

Ms. Fertig stated “The next meeting is February 2, 2017. I think this will be ongoing. We will put this on that agenda.”

Mr. Mayersohn stated “It would be helpful if there was an audit to see how that process is working.”

Ms. Fertig stated “I think we’re kind of early for that.”

Mr. Corbin stated “As we have come away from the Qualification Selection Evaluation Committee (QSEC) with the highest ranked firm for these projects, we then follow up with a Negotiations meeting to go forward with the pre-construction services, as well as the negotiations of the CM fee percentage. As part of our negotiations, Bob Goode from the Office of the Chief Auditor, has participated in each and every one of those discussions, so I feel comfortable that the work that has taken place to finalize that pre-construction contract service and bring it back to the Board was done appropriately. Also, as you look to provide comments, we provided to the Auditor’s office, a word version of our source documents.”

Dr. Mack stated “The best thing is the fact that you’ve got Bob Goode. If he is with you, that makes me comfortable.”

### **Discussion of School Board Policy 3100 – Annual Financial Audit**

Ms. Fertig stated “The selection of the independent certified public accountant will commence probably in January. One thing that is in this policy, which was last amended in 1991, under Rule

Number 3, states ‘the firm selected shall not succeed itself as the School Board’s independent auditor’. You can serve for five years, but then the firm may not succeed itself. We are in a situation where this will apply this year, unless we make a recommendation to the Board to change this policy.’”

Ms. Grant stated “We select auditors also at the City. I know that the number of firms that serve municipalities has shrunk in general. We don’t have a mandatory rotation, so as long as the firms would all bid every five years, I would be in favor of removing the language that has the mandatory rotation. I think it’s good to get as many bids as possible. The more bids you get, the more the prices go down. I am in favor of removing that.”

Ms. Fertig stated “This policy directly says that the Audit Committee selected by the School Board shall serve as the Audit Selection Committee required by State Statutes. I believe that we could recommend to the Board a Board change. We don’t have the luxury of time because we are going to be involved in the selection process that will begin in January. This is our last meeting to recommend to the Board. If they make the policy change, they would have, I believe, either two or three meetings to do that.”

Mr. Moquin stated “It can’t just go straight to the Board for adoption. It has to go through the three step process. Our next workshop is on December 13, 2016. I’ll work with Pat to see how we can expedite this.”

Ms. Fertig asked “Before we go further, are we in agreement to recommend the change?”

Dr. Lynch-Walsh stated “Just like when you have the same General Counsel for forty years, not that I have anything against the present auditors, if we could stick the words ‘unless there are no other bids’. You’re looking to have multiple bids, but the way this District operates, we’ll end up with the same auditors over and over and over. What’s the point of having multiple bids, if you pick the same auditor?”

Ms. Fertig asked “I would have a problem with stating ‘unless you get other bids’ because they still might be the best, and we’ve thrown them out without considering that they were the best bid.”

Mr. Moquin stated “I would point out, Dr. Walsh, that the District isn’t making the selection. If the current firm would continue over and over, it would be this committee who would be making that choice.”

Mr. Frohme stated “I understand there is not anything in Florida Statutes that mandates the five-year rotation, correct?”

Mr. Moquin stated “Correct.”

Mr. Medvin stated “There were five or six firms last time that made presentations to us. One firm that made a presentation had to be thrown out because we became aware of this policy. Brett’s firm also made a very fine presentation and he was accepted. I agree that there are not many firms that do this anymore. I think we would be foolish to discourage Brett’s firm from making a presentation.”

A motion was made that the mandatory rotation requirement in Policy 3100 be eliminated. Motion carried.

Dr. Lynch-Walsh stated “Because the auditors attend the opening of construction bids, recently the General Counsel requested an opinion from the Attorney General. Do you have an update on that?”

Mr. Reilly replied “I haven’t heard that an opinion came back.”

Mr. Mayersohn asked if Mr. Moquin could inform us of any workshops or other communication related to Policy 3100.

Meeting adjourned at 1.55 p.m.