

The School Board of Broward County, Florida
AUDIT COMMITTEE

MINUTES OF AUDIT COMMITTEE MEETING

September 8, 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
Mr. John Herbst
Dr. Nathalie Lynch-Walsh
Dr. Henry Mack (attended by phone)
Mr. Robert Mayersohn
Mr. Andrew Medvin

Staff Present:

Mr. Jeff Moquin, Chief of Staff
Dr. Valerie Wanza, Office of School Performance & Accountability
Mr. Oleg Gorokhovskiy, Budget Director
Mr. Craig Kowalski, SIU (formerly Broward District Schools Police Department)
Ms. Christy Bradford, 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. Stephanie Ormsby, Inventory Audit Specialist, OCA

Guests Present:

None

Old Business

Agenda

Ms. Mary Fertig changed the order of the agenda, moving Item #6 (CM@R) to the Follow Up section.

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

Minutes

A motion was made to approve the minutes from the June 16, 2016 Audit Committee meeting. Motion carried.

Follow Up Items

Follow Up Item #1 - Internal Audit Report – Audit of the Internal Funds of Selected Schools – June 16, 2016

Mr. Patrick Reilly stated “The Committee requested that an attempt be made to contact the donor regarding the \$250,000 donation that was given to Nova High School in 2001. This item was discussed in our June 16, 2016 Internal Funds Audit report. We were able to contact the donor, Ms. Chen, who provided us with the original letter dated June 6, 2001 and the October 24, 2014 letter that was submitted, since the school Principal stated that the original letter could not be found. The original letter dated June 6, 2001 stated that the money be used primarily to build a sports stadium. The 2nd letter from Ms. Chen dated October 24, 2014 stated that the school Principal could use the money at his discretion, but she stated she was disappointed that the money had not being spent for over 10 years. Most of the money has now been used.”

Follow Up Item #2 - CM @ Risk Contract Review

Ms. Fertig stated “The Audit Committee met on June 16, 2016. We received the revised contract on June 15, 2016. We collectively decided that we didn’t want to give individual input, but rather a group consensus. At that time, there was discussion of having a special meeting; however, before a special meeting could be called, the School Board considered the contract. They had three matters before them. I spoke on behalf of the Audit Committee at that meeting. I sent you a copy of my remarks. Subsequent to that, we were again asked to have a special meeting. Unfortunately, it was the first two weeks of July and we could not get a quorum. As you know from reading the letter, the Audit Department, outside legal counsel, School Board legal counsel and RSM (McGladrey) all reviewed the contract. Of the fourteen outstanding McGladrey concerns, there was only one item that was not corrected in the new version of the contract, which by the way, was not the same version we received on June 15th, so it really wouldn’t have done any good to discuss it. Mr. Goode and Mr. Reilly made the Board aware of the fact that Recommendation #14 was not included. I think I referenced that the Board is well aware of that and it’s management’s decision whether or not to implement that recommendation. We will continue to monitor this contract, as we do with everything and as new RFPs go forward, we can suggest changes to contracts. This simply involves the three RFPs that went out at that time, which were Stranahan, Northeast and Blanche Ely. We do have an opportunity to

make adjustments in the future. We do have for you the most recent version of the contract. I suggest that we all read this and we can discuss at the October 20, 2016 Audit Committee meeting.”

Dr. Nathalie Lynch-Walsh stated “What was Recommendation #14?”

Mr. Reilly replied “It had to do with General Conditions. We recommended along with RSM, that it should be a reimbursable type of item, rather than a percentage of the construction contract. The General Conditions was the one thing they chose to leave as a percentage of the cost of construction.”

Dr. Lynch-Walsh asked “Was there some advantage to the District to do it that way? Surely, they gave an explanation.”

Mr. Reilly stated “At the workshop it wasn’t discussed. Again, it’s a management decision. We feel that a reimbursable method is a better arrangement which relates to the actual expenses, rather than just having a percentage where you may or may not use the whole value of that in a contract.”

Ms. Fertig stated “They had 3 or 4 different speakers who stated this to the Board, so the Board is well aware of the issue. It’s their decision. We are advisory in nature. We have advised them on these fourteen recommendations several times and ultimately, they have a new contract, which unfortunately, was not available to us till just before the workshop. We really couldn’t make any further recommendations on that as an Audit Committee. We can in the future.”

Dr. Lynch-Walsh stated “I get that. We teach kids critical thinking where you have to be able to back up your opinion and justify what you’re doing. If the District can’t make a compelling argument on why they would go against the auditors and RSM, where is your justification to explain why you chose to do it this way?”

Mr. Robert Goode stated “Management felt it was easier as a lump sum number to expense that monthly as it’s earned, as opposed to the auditors’ opinion that you should bring it on a cost plus basis. It’s just a different way of managing the project. It’s management’s preference to make it easier to handle that way.”

Mr. Reilly stated “When you have the General Conditions as a percentage, it becomes a lump sum. The lump sum then is really a set price.”

Mr. John Herbst stated “We (City of Ft. Lauderdale) have a contract for the redevelopment and reconstruction of the aquatic center. One of the findings we received from the Broward County Inspector General was that we did not have a Right to Audit Clause for General Conditions, which was a lump sum. We went back and forth, stating there is nothing to audit on a lump sum; therefore, a Right to Audit seems irrelevant.”

It was agreed that the CM @ Risk contract would be discussed at the October 20, 2016 Audit Committee meeting.

Discussion followed.

Regular Agenda Items

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

Mr. Reilly presented the Internal Audit Report, which contained 10 schools.

Mr. Brendan Barry commended the Audit Department and the Principals who were audited for complying with School Board policies and procedures.

A motion was made to transmit. Motion carried.

Internal Audit Report – Property and Inventory Audits of Selected Locations

Mr. Reilly stated “This report contains 32 property and inventory audits. A total of 28 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. Business Practice Bulletin O-100 Procedures for Property and Inventory Control outlines the policies and procedures that govern property and inventory control. For the 32 locations, 15,021 items were listed in the property records at a historical cost of \$26,730,999. For the 32 locations included in this report, a total of 86 items could not be accounted for with a historical cost of \$139,446.”

Mr. Moses Barnes stated “I believe for Sanders Park, there was a police report for a missing laptop. I thought when a teacher loses an item off campus, the report itself is done in the municipality in which the employee lives. Also, I noticed the police report shows that the person did not wish to prosecute. If someone stole something and you catch them, I would think you would want to prosecute. What is the protocol for this?”

Dr. Henry Mack stated “There is no policy regarding that issue. I would think it would be the School Board’s decision whether to prosecute and not the individual’s.”

Mr. Mayersohn commended Dr. Wanza for the thorough responses from the Principals and asked if she was satisfied with their responses and the timeline for the follow up.

Dr. Valerie Wanza stated “I’ve also redone the protocols for when Cadre Directors walk through schools that they are not just focusing on instruction. They should be looking at operational inefficiencies, as well. Ms. Ali Arcese is performing training on inventory and property control for the schools. We are being very vigilant in ensuring that our operational processes are sound in the schools.”

Mr. Kirk Frohme stated “On Larkdale, page 15, you stated that this was a recurring issue. Was this an exception where the other schools were not repeat violations?”

Mr. Reilly stated “We’ve added back the information if a school has a repeat finding.”

Mr. Frohme asked “When you do a repeat visit, do you see whether the school has implemented the procedures they stated they would put in place?”

Mr. Reilly stated “Yes. Sometimes management will visit the schools before we go back out.”

Dr. Lynch-Walsh stated “Regarding the same school, I’m unclear if the furniture has or has not been found. How do you lose furniture?”

Ms. Ali Arcese stated “In 2014, there was a report submitted by Accounting & Financial Reporting to all schools. The Auditor General cited us for excluding assets from the Property and Inventory Report (PNI-811) that the schools receive for equipment. This list that I’ve included was part of that for this school. If you notice, they acknowledged that the equipment was found. At that point, Accounting & Financial Reporting then added this equipment to the school’s inventory. When we came out to account for the equipment, the new Principal was not able to find the furniture.”

Mr. Barry stated “The police report doesn’t smell right to me. The police report was a month after the incident happened. I don’t see anything showing that the complainant identified the property as belonging to the School Board. Are there other questions here that the auditors should ask?”

Ms. Fertig asked “Does that police report automatically get sent to the person keeping the property and inventory?”

Ms. Arcese stated “It does reference a serial number that the person who filed the police report provided, which is basically what we have to go by. I believe it was done even after the fact. Often times when a laptop is stolen, the property pass is inside the laptop bag, so they don’t know what the serial number is. We tell them they have two business days to go back to the Police Department and make an amendment to the police report to identify the equipment.”

Dr. Lynch-Walsh stated “It seems a little odd that he didn’t report it as being School Board property.”

Ms. Arcese stated “The reason it’s in the report is because although the police report was filed, the proper protocol was not followed. We can go back and look into it further.”

A motion was made to transmit. Motion carried.

Internal Audit Report – Audit of the Broward District Schools Police Department’s (BDSPD) School Resource Officers (SRO) Program Agreements for the Period from July 1, 2010 through June 30, 2016

Ms. Fertig stated that she contacted Mr. Reilly to advise him that her office represents a former SRO Officer and asked him to contact the School Board’s attorney to advise if a conflict exists.

Mr. Reilly stated “The attorney thought there was no conflict, but you may wish to recuse yourself from voting, but you would not have to leave the room.”

Ms. Fertig stated “I will run the meeting and let you all talk. I don’t see the name of the person in the report, if you agree.”

The Committee agreed.

Mr. Herbst stated “I have a similar problem. The City of Fort Lauderdale is one of the municipalities that is owed money from the District. I have some comments I would like to add, but will not be voting.”

Mr. Barnes stated “We received the document last week. When does this become a public document, before or after we meet? I noticed there was a story in the newspaper.”

Mr. Reilly stated “Before because we have to distribute the audits to the Committee, the Board, Mr. Runcie and we place the report on our website. When we do that, it becomes a public document.”

Dr. Mack asked for an explanation and stated that this did not happen before.

Mr. Reilly stated “This is not the first time this has happened. It happened with the Ashbritt report, and with several others.” With our Communications Department, they let me know that the media has questions. We want to clarify as much as we can to ensure they understand the audit report. My intention is to give them clarification if they have a question.”

Mr. Mayersohn stated “Some of these contracts expire September 2016. Are the new contracts going before the Board?”

Mr. Jeff Moquin replied “All of the renewal contracts, as well as some amendments to the existing contracts, are slated for the September 20, 2016 Board meeting. In total, there will be nineteen items. I’m working with staff to conduct meetings with all parties because part of the issue is that in 2014, we tried to modify the term. I don’t know that everyone, including staff responsible for implementing it, understood the intent of that. Therefore, part of this renewal, we are transitioning out of that and going back to aligning the term of the contract to mirror the school year. I’m trying to meet with the cities and municipalities individually in order to facilitate their execution of it and so they understand why the term is changing back.”

Mr. Reilly stated “As of right now, all the cities have been paid. There was \$2.7 million needed to do that. One of the reasons for the review was to determine the amount outstanding and the reasons why the shortage of funds occurred. The agreements need to be followed the way they were intended to be used. What happened in many cases was that the District would use the current year’s funds to pay previous year’s invoices. There were issues where open purchase orders lapsed in October of the following year and those funds reverted back to the District’s General Fund. There were five or six reasons that had a domino effect. There were several cities that were not paid at all for the entire 2015-16 school year. There was no misuse of funds for other purposes. It was poor handling of the budget funds and not matching current year’s funding with current year’s expenditures. The cost of all 23 SRO Agreements was approximately \$6.8 million and in some cases, the District budgeted less than the total dollar value of the Agreements. We need to get back on track and pay the cities according to the installment payments required in the SRO Agreements.”

Mr. Mayersohn stated “I’m looking at October 1st, the new fiscal year. The report is very clear as far as what happened and hopefully the District will get things resolved by September 30th.”

Mr. Frohme stated “On page 75 of the report, the management response, based on the fact the SRO Agreements will be put into place effective October 1st for the new fiscal year, do the purchase orders that are issued mirror the SRO agreements and require a repayment schedule for that fiscal year? I don’t understand how a purchase order could still be open and carry over to expose those potential costs into a subsequent year.”

Mr. Reilly stated “That really shouldn’t happen. If you went through the schedule, a typical school might have eleven SROs where the cost is \$46,252 per SRO. For the entire contract, that would total \$508,772. The Agreement is for 10 installments. If you cut a purchase order for that amount and made 10 draws against it, you would be finished when the year is over and there would be no reason for any funds to carry over. What was happening, sometimes they would pay a couple of months and

then pay more in June or July without that concept of matching the expenditures of each year with the budget for each year.”

Mr. Frohme stated “The intent is to issue a purchase order that mirrors the obligation as stated in the SRO Agreements and they would never carry over to a subsequent fiscal year.”

Mr. Reilly stated “They shouldn’t. If there was some reason that the vendor didn’t invoice us, an invoice could be billed in the subsequent year.”

Mr. Frohme stated “That would be an unlikely situation.”

Mr. Reilly stated “It was amazing that some municipalities billed us at the end of the year, because they weren’t receiving payment in accordance with the Agreements. There were all kinds of different scenarios.”

Mr. Herbst stated “When you disseminate audit reports, you also put them on the website at the same time?”

Mr. Reilly stated “Yes. Some people want a hard copy and others want an electronic version. The reports are placed on our website where the public can access the report.”

Mr. Herbst stated “Internal audit reports are exempt from public records laws until presented to the governing body and we’re not the governing body. We’re a committee endorsed and established by the governing body, so if you don’t want to, you don’t have to make these available to the press. If you send the reports by email on a secure sight only accessible to Audit Committee members, then you have not distributed them and so they’re not a public record. That’s a call that you can think about and make. There’s an avenue for this not to become something that you read about in the press prior to the meetings.”

Mr. Reilly stated “We did have an issue with that several years ago when we were not distributing the reports to everyone. The press requested clarification on it and it was determined by our attorneys that once you distribute the report to anyone, it becomes a public document, if it’s a completed audit with management’s responses. The ruling was that once we issued that to staff or the Audit Committee, it became a public document.”

Mr. Herbst stated “Respectfully, I disagree with your attorneys. The statute is very clear. It has to be accepted by the governing body. When your report comes with management’s responses, it’s still an internal draft until we make a motion to transmit. That’s a policy decision you can make going forward. I’m just stating for clarification if you want to avoid seeing things in the press going forward, you have every right under the law, and I do it constantly.”

Ms. Fertig stated “This was in the press for months and I think you were asked to do this to clarify what actually transpired and in fact, it probably substantiates that many of the inaccurate statements that have been made in meetings had no merit. I think Pat cleared that up by doing this audit. This has been in the paper for months.”

Mr. Herbst stated “Absolutely. I have no objection to it. As a matter of protocol, if you don’t want to, you don’t have to. You can make that determination going forward. Just be consistent in how you do it. You shouldn’t release some and not others. One of the questions that came up was why the cities did not demand payment. We (City of Fort Lauderdale) did demand payment. We went an entire year

without a contract in place, but we thought it was our duty as a municipality to our residents to continue to provide SROs for the security of our students. We did that knowing that we may or may not receive reimbursement. We put public safety first, and that's why we allowed ourselves to run in a deficit with the District. We had a difficult time in getting contracts executed. It was brought up that the District changed its timing and I think that was hugely impactful on trying to get contracts done. We would strongly recommend that we go back to a school year; it doesn't need to be aligned with the municipalities' budget year. That doesn't serve a purpose. If we start working on these contracts in February and they're approved and in place by July 1st, that gives us plenty of time to do our budgeting on our side and for the School Board to do its budgeting. The other problematic issue, at least for Fort Lauderdale, was the requirement by staff that would not permit our officers to leave the campus, so even though the District is paying for 40% of the cost of the officer, they didn't want the officer to leave the campus. That was a change from prior contracts, where the officer could respond to calls in the neighborhood. We certainly can't, as a municipality, put a police officer out there at full cost and yet only available to limited District for patrol. If there's a call that comes outside school grounds, our officers have to be able to leave. That was a sticking point that went on far longer than it should have. In terms of getting some of these things done, it's imperative that we have our contracts in place and that the contracts are reflective of the operational needs of the school district, the municipalities and the neighboring communities, because crime doesn't stop at the gate. You may recall that approximately seven or eight years ago, the District was paying a very low percentage of the cost of the SROs and a number of cities had threatened to pull out entirely from providing services if the School Board didn't provide a more adequate level of funding. At that time, the District had committed to increasing their contribution to the point where they achieved, I believe, 50 percent of the cost of the officers. That has remained static in dollar terms, but not in percentage terms, so as our cost for providing officers has increased over the last five or six years, the District has not kept pace with its participatory share of that cost. From a city's perspective, that's a little problematic. As we're looking at contracts going forward, that's something that needs to be revisited. Because we're partners in this, we recognize that they're your students, but they're also our children, as well. We're willing to be partners in this, but we're not going to overly subsidize an obligation that the School Board has for its property and its students."

Dr. Lynch-Walsh stated "As usual, very well done audit. I see lack of internal controls, which is going to be the end of the School District, lack of qualified staff and lack of oversight. Who's responsible for monitoring the Police Department's budget? Outside the Police Department, if you see you've got amounts that are going back into the General Fund that someone would notice that this doesn't look right. Someone, whose expertise is in finance should have asked the Police Department what's going on. This should have never gotten to the point where the Police Chief would say we don't have the money to pay these things. Who monitors the Police Department budget?"

Mr. Reilly stated "Each location has an administrator who's responsible for managing its budget."

Dr. Lynch-Walsh asked "How many accountants or finance professionals work for the Police Department?"

Mr. Reilly replied "Right now, they've turned over their payroll and bookkeeping processes to the Business Support Center. In the past, they had a clerical staff to handle that."

Dr. Lynch-Walsh asked "Zero. The clerical person does not have an understanding of matching expenses to the period or understanding the impact of what their error is creating, and you can't expect

them to. How many degreed accountants work for the Business Center? On page 1, it states 'it is the administration's responsibility to implement recommendations, to maintain an internal control environment conducive to the safeguarding of District assets and to preserve the District's resources and to comply with applicable laws, regulations and School Board policies', which clearly did not happen here for years. Are there consequences to that not happening? That clearly states everyone's responsibilities. On page 2, why so many changes and why was the Police Department assigned to HR? The HR person in charge back in 2012 and 2013 is no longer with us, I believe."

Ms. Fertig stated "We had Chief Golt and he left during this time period. Then Chief Williams came in."

Dr. Lynch-Walsh stated "Why was this department bounced from Human Resources to the Chief of Staff to the Chief Public Information Officer and then back to the Chief of Staff?"

Mr. Moquin replied "This department over the years has had its structure changed. At one point, it was called the Special Investigative Unit and Professional Standards Department and its primary role was around conducting employee investigations. There was also a component around evaluation that fell under it. For that reason, I believe it was originally under HR. Through budget cuts and changes in leadership, the evaluations came out from under it and just given things going on in society, there was a larger focus on the security aspect. Under Chief Golt, it became the Broward District Schools Police Department, so it transitioned from being a Special Investigative Unit to being the Police Department. I think the Board also had some concerns around the security aspect and wanted it to not report under HR. If you look at the organizational structure at the time, there was a direct reporting relationship to the Superintendent with a dotted line to the Chief of Staff for purposes of the Chief of Staff providing daily oversight of the operations. The issue of the transitions to the PIO and back to the Chief of Staff, I don't know from an organizational structure if they were formal transitions. After the loss of our last Chief Facilities Officer, I was asked to provide more daily leadership over the Facilities areas, and other Chiefs within Cabinet stepped in to provide some oversight."

Dr. Lynch-Walsh asked "In the 2015-16 school year, \$482,000 of carry over purchase orders were allowed to lapse, resulting in the Department's losing funds. What does allowed to lapse mean?"

Mr. Reilly stated "There was a purchase order in place, which was opened in the 2015-16 school year. By the following October (2016), if that purchase order isn't used, the purchase order will be closed automatically by the system. They really weren't aware that that happens, but I don't know why they didn't pay those invoices. That represents multiple purchase orders, not just one."

Ms. Fertig asked "Who did not pay the invoices related to the purchase orders?"

Mr. Reilly stated "The Police Department was responsible for paying those."

Dr. Lynch-Walsh stated "The bookkeeper stated she recognized there were outstanding invoices, for which there was no available funding, so that was where the first Budget Request Form for \$1.8 million was prepared by the bookkeeper in June 2015. This was signed by the Chief of Police and submitted to his Cabinet member. Who was his Cabinet member?"

Mr. Moquin replied "That would have been me."

Dr. Lynch-Walsh stated "It was not approved and was returned by pony mail to the Police Department with no explanation. Why?"

Mr. Moquin replied “A piece of paper was put on my desk saying ‘please authorize \$1.8 million’ with no back-up. I had asked Chief Williams for more back-up documentation to support what he was requesting.”

Dr. Lynch-Walsh stated “But nothing happened. He never gave you any further back-up and you never demanded any further back-up? Once they got the 2015-16 funding, they started paying the 2014-15 invoices with the 2015-16 funds. That sentence tells me that nothing happened. This fell through the cracks.”

Mr. Moquin stated “Chief Williams brought it to my attention, the deficit and the request for money. I asked for more back-up. I also had conversations with the Budget Department about how we would identify and allocate the additional funds. In the interim was those transitions in daily leadership. Subsequently, more detailed budget requests for specific cities were then presented to me and executed, I believe, in the January timeframe.”

Dr. Lynch-Walsh stated “The audit noted that the Police Department submitted several request forms from September 2015 through January 2016, amounting to \$1.1 million. The Budget Request Forms clearly explained that funds were needed in order to pay past due invoices for 2014-15 and 2015-16 SRO Agreements. These Budget Request Forms were approved by the Cabinet member, which would be you again.”

Mr. Moquin stated “Yes, I approved them.”

Dr. Lynch-Walsh asked “Are these the same ones as before or additional ones, the original \$1.8 million with a better explanation?”

Mr. Moquin replied “My recollection is that these were specific for each city for the dollar amounts of the shortages.”

Dr. Lynch-Walsh continued “However they were denied by the Budget Department.”

Mr. Oleg Gorokhovskiy stated “Those were requests made to my office. I physically saw them and declined them. First, they were utilizing the emergency request process to get additional funding. That process exists for emergencies and smaller amounts. Our recommendation when requesting large amounts is to take it to the Board as a Board agenda item. Secondly, just simply putting in a request to pay prior years’ invoices without explaining how this happened and what measures were put in place to prevent this from occurring in the future, was not a good enough reason for me to allocate additional funds to that department. Thirdly, there was a red flag. On January 25th I received two requests for the City of Miramar for two different amounts on the same day for the same reason. I questioned why they would put in two different requests and not just be summarized in one. So those three items were the reason those were rejected.”

Dr. Lynch-Walsh stated “No one in the Budget Department was aware that this was an issue. That’s an oversight issue. Somewhere this should have raised a red flag back in 2014-15.”

Mr. Gorokhovskiy stated “For example in 2014-15, SROs cost about \$6.8 million, which was assigned to the SRO budget. The full amount was spent in 2014-15, so this didn’t raise any red flags. I’m just justifying the responsibility of the Budget office. Normally in a school district, the responsibility for the individual budgets falls upon the management of the department.”

Dr. Lynch-Walsh stated “Who are all, of course, accounting and financial experts and would know they were having a problem?”

Mr. Gorokhovsky stated “I can’t confirm that.”

Dr. Lynch-Walsh stated “I’m being sarcastic. Of course they wouldn’t know better.”

Mr. Gorokhovsky stated “I think it’s unrealistic to expect to have an accounting expert in every single department.”

Dr. Lynch-Walsh stated “That’s why I’m suggesting there needs to be oversight in budget accounting somewhere, so there’s not this expectation that these people know accounting.”

Mr. Reilly stated “As these things transpired, there were funds on July 1st each year that would take care of prior years’ expenditures. This was rolling for a while and finally came to a halt in February 2016. The person handling the payments retired; the new person tried to make some changes that didn’t occur.”

Mr. Barry stated “As a member of the Audit Committee, I like the detail of the audit and I like the responses. I trust that those responses will be put in place.”

Ms. Fertig asked “Monies returned to the budget, cities are not being paid and are complaining. You have two requests in July 2015 and one in September 2015, but it wasn’t until February 2016 that something was done. It sounds like the money was being requested as it was being returned to the budget as the cities were also complaining.”

Dr. Lynch-Walsh stated “Coming from corporate America, this could never happen. The first month you might get away with this, but after that you’d be fired. You can’t just not reconcile. It’s lack of internal controls, lack of qualified staff and lack of oversight. On page 6, the recommendations that were made here, the fact that these recommendations need to be said, indicates a huge underlying problem. You shouldn’t have to make these recommendations. This should have already been done. It’s insane. ‘Instances where department submits a budget request form for outstanding obligations, District management should have taken action and brought the request to the Board for approval, rather than denying the budget request.’ They did not investigate the cause of the problem. I don’t have that degree of confidence that these recommendations will be implemented. You have lay people trying to implement accounting practices.”

Ms. Fertig stated “Are you suggesting that this could be happening in other departments?”

Dr. Lynch-Walsh stated “On Finding #2, I’m not sure that this will not happen again in the future, unless you have someone with an accounting background overseeing this.”

Mr. Mayersohn stated “In June 2004, there was a report done on the SIU Department, which similarly discusses the operations of the department. It describes there were a lot of inefficiencies in the department. We’re now in 2016. I’m just suggesting that management review that audit to see where we’ve lost track of what should have been done and wasn’t accomplished. From my understanding, there was some form of Sheriff’s Committee that had met several years ago and came up with a report on how municipalities pay for SROs. Again, there are municipalities that don’t have SROs in their municipalities. Management may wish to look at that to see how community stakeholders pay to ensure that our kids are protected and safe.”

Mr. Moquin stated “You don’t see standardization across the board. There are some municipalities that share an SRO between six schools, some that are one for one. Some of the municipalities have asked for additional ones, where others have asked to be out of the SRO business altogether. There is a need to come together through a Chiefs’ Association. We’ve had one preliminary meeting with the City Managers. We took advantage to give them an update and try to catch up with some of these payments and talked about putting together a group to look at this and come up with some recommendations. Part of that is trying to identify a funding source to try to expand the program.”

Ms. Fertig asked “Are there other departments that have a relationship with the cities that could find themselves in a similar position? I would have never thought that a department would be tasked with keeping a relationship going with a city.”

Mr. Moquin stated “These agreements are managed by Chris Akagbosu’s Department (Facility Planning & Real Estate). In terms of the lease that gets executed, it’s a site by site basis. I think he does have software where the leases are on line and calculates the invoice amounts automatically. I think that’s a good point, Ms. Fertig. I’ll work with Oleg and raise the issue at Cabinet to find out if there are other instances where departments are managing a business relationship with multiple municipalities.”

Mr. Reilly stated “I know we have instances like graduations where we rent buildings at the end of the year, such as Nova Southeastern’s gymnasium, etc. There are probably other things, too.”

Mr. Gorokhovskiy stated “I believe Water & Sewer are one of the areas we need to look at. I’m not sure exactly which specific department handles it but I haven’t seen any problems with that. There are some nurses, not many, a limited amount in schools that are paid by schools, whether they use their internal funds or some other methods. You’re right, there are some arrangements with the county where the county pays for it, but they pay directly. We don’t reimburse the counties.”

Ms. Fertig stated “Months ago, the focus was on Broward Schools Police, but really the focus here should be on the budget process and the overall relationships with cities. It looks like you have a piece of that, and budget has a piece and the Police Department.”

Mr. Moquin stated “I know it’s not uncommon for schools to have discretionary monies and not use all of that and then get absorbed back into the General Fund at the end of the year. Are there certain activities and/or ways of classifying certain streams of budget that should not have any leftover funds? There are certain allocations that are specific, where if we could identify them through the account coding structure, they should zero out.”

Mr. Gorokhovskiy stated “I haven’t seen situations like SRO. If we see the budget being spent fully or there is money remaining that has been encumbered, that really doesn’t raise a red flag. What happened here is that you can have a purchase order, but I believe the department for the last few years utilized check requests, instead of opening purchase orders. Prior to 2014-15, check requests were issued. That process has been totally eliminated. The District doesn’t do check requests, unless it’s an emergency.”

Dr. Lynch-Walsh stated “If I were making a recommendation, there’s a clear cut lack of internal controls throughout the District because every audit we get shows lack of internal controls and lack of written procedures. If written procedures don’t change, it’ll keep the auditors in business, but it’ll be the same problem over and over again. There’s no continuous improvement. The District is

supposed to be continuously improving. There's nothing that the Office of the Chief Auditor can do because they are making the recommendations, but they're clearly not being implemented. It only took me a few audits to realize that we have a repetitive, underlying, systemic problem. Many people think that procedures can be verbal, but they can't. I would like to see the District implement ISO 9000, where first you document everything you do, write it down, and then you look at whether what you're doing makes sense. The third step is to continuously improve. Once you know what people are doing, you don't have them keep doing the same ineffective processes. That would cure a lot of ills, in my opinion."

Mr. Herbst stated "The City of Fort Lauderdale is an ISO 9000 organization, so if you want information about it, you can talk to the City Manager's office."

Ms. Fertig thanked Mr. Craig Kowalski for attending the meeting.

Mr. Kowalski stated "You spoke about communication; there is communication. We're all on the same page, we understand the issues. Mr. Reilly did a great job on the audit. We know what we need to do moving forward. The contracts, when the Board approves them on September 20, 2016, will be immediately acted upon within our department for follow up."

A motion was made to transmit. Motion carried.

Other Discussion

Ms. Fertig discussed the Audit Committee's Annual Report that was presented to the School Board on September 7, 2016. "We encouraged Board members to read our minutes so that they are aware of the comments that we've made here and the suggestions. I thanked Pat and his staff for everything and I did convey our request for additional staffing for the Audit Department, which passed by a motion."

Dr. Lynch-Walsh stated "I would like an update on the laptop issue on the handling of students vs. staff when a laptop is lost or missing. I would like an update on the Title I. That was supposed to go to the State on June 30, 2016."

Ms. Fertig stated "Yesterday, when I gave my report, a couple of the Board members asked about that audit and Mr. Runcie said they were in the final stages of conversations with the State. I'm assuming we will have an update on that by the October meeting."

Discussion followed and Mr. Reilly stated he would request an update for the October meeting.

Meeting adjourned at 2:15 p.m.