

**The Escambia County School District
Audit Planning and Review Committee Meeting
Minutes, February 17, 2000**

- I. The meeting of the Audit Planning and Review Committee was called to order by Dr. Richard Calvasina, Chairman at 5:38 p.m. in Conference Room B of the Escambia County School District, 215 West Garden Street, Pensacola, Florida 32501. In addition to the Committee Chair, committee members in attendance were Kelly Bowen, Shelly Blake, Karen Pope, and Angela Sheffield. Others in attendance were Susan Reed, recording secretary, Debbie Fussell, Linda Lewis, Betsy Bowers, and Sam Scallan.
- II. A motion was made by Shelly Blake to adopt the agenda, seconded by Angie Sheffield, and passed unanimously.
- III. A motion to approve the minutes for the November 15, 1999, meeting was made by Angie Sheffield, seconded by Kelly Bowen, and passed unanimously.
- IV. There were no officer's reports.
- V. A. The internal funds audits of 21 schools which had no findings were discussed as well as three other schools with findings. Brentwood Middle School's audit finding reflects an increased deficit in an account which had been discussed with the school officials last year. Escambia High School had repeat audit findings of placing monies in the faculty fund that belonged in the student activity fund account and deficits in accounts. Pensacola High School also had an audit finding for deficits in accounts.

These problems were discussed at audit exit conferences with the principal and bookkeeper. In addition, tentative audit comments were sent to the principals. Final comments were made a part of the audit along with the principal's response of assurances including plans for their correction.
- B. There were two other audits/reviews presented by Mr. Scallan.
 1. The purpose of the Risk Management Accounting Department review was to conduct a follow-up to an internal audit performed on the Risk Management Department several years earlier. This review examined internal controls of the newly created Risk Management Accounting Department. The previous audit had revealed weaknesses in the monitoring of contracts issued by the Risk Management Department and a lack of accounting support to that department. The review also assessed the degree of monitoring activities of the District over the transactions processed by third party administrators in the Risk Management operations.

Several items contained in the report were discussed by the committee, including their not being able to obtain a current SAS 70 report on United Health Care and the implication of this fact. In addition, discussion centered on the degree of monitoring activities of third party administrator's transactions taking place in the Risk Management Accounting Department.

2. Mr. Scallan reported that the Maintenance Services Audit was the first audit released under his department's new reporting to the Board. He noted that there was much discussion of the draft by administration and some reluctance to accept the findings contained in it. Mr. Scallan reported that the written response to many of the findings contained in the report centered on the District's decision to purchase an automated work order system as a solution to those findings. He explained that it had been requested that he assist in the review of software by the Maintenance Department.

A motion was made by Angie Sheffield to accept all submitted audits/reviews, seconded by Karen Pope, and passed unanimously.

- C. Mr. Scallan reported that the Risk Assessment is progressing slowly. He has gathered and reviewed articles and has talked in depth to someone regarding a sample risk assessment model. Developing a risk model that focuses on certain risks, based on potential dollar loss and other factors, would establish the department's short and long range audit plans. Upon acceptance by the Committee, these plans would then be used to set the budget and staffing needs for the department. Since we now report to the board, their concerns should be weighted accordingly along with those of management as well as input from citizen's groups. Changes in departmental staffing are due in April and there is a recommendation by the Superintendent to reallocate one auditor position to the Finance Department. With this in mind, Mr. Scallan recommended that the risk assessment be submitted at next month's (March) Board meeting when the first draft of the staffing document will be presented. The risk assessment and resulting audit plan may support the continued requirement for maintaining current staffing levels.
- D. Mr. Scallan explained that the transfer of the Property Control Department to the Finance Department occurred January 3, 2000. The transition of accounting related activities for internal funds would not occur until July, 1. Until then, Internal Auditing has agreed to help with the transition of those responsibilities so that by July 1, 2000, we would have a better idea of any necessary staffing adjustments. In anticipation of this transition, the procedure manuals have been updated. In a meeting called by the Superintendent with members of the Finance Department and the

Internal Auditing Department, the Superintendent indicated his desire to reallocate an auditor position to handle the duties being reassigned and to take on additional accounting functions of an already overburdened Finance Department. Mr. Scallan indicated that during that meeting he attempted to explain to the Superintendent that the total cumulative time spent by his audit staff on the duties being reassigned was equal to approximately $\frac{1}{4}$ of a position. In addition, many of the functions currently being performed by the Internal Auditing Department were being transferred to the Data Processing Department not Finance. The Superintendent explained that his intention prior to the meeting was to reallocate two positions but he would compromise and only reallocate one.

He also explained that during earlier negotiations with the Finance Department regarding the transition, the idea was discussed to reclassify one of the soon to be vacant positions in the Property Control Department. This position, once reclassified, could be used to employ someone to assume the duties being transferred to Finance. Although this reclassification is currently underway, the Superintendent is proceeding with his plan to reallocate an auditor position.

In response to a question concerning present and past department size Mr. Scallan explained that there are currently three auditors and two part-time co-op students. During the administration of the former superintendent, Dr. Bill Maloy, the department gained a fourth position. However, that position was eventually transferred to Finance to head up the newly created Risk Management Accounting Department.

- E. The investigation at Pine Forest was discussed. Mr. Scallan reported that the Assistant Superintendent for Human Resources, Mrs. Ella Sims, requested his services. He was called in after the District had been investigating the incident for approximately three days. Mr. Scallan and one of the auditors performed audit procedures which aided in the findings of the investigation. Mr. Scallan also explained that the Charter guided him in his work for the department, adopted by the Board in December, 1999. He indicated that he plans to attend a special board meeting where he hopes to emphasize that his participation in the investigation was in accordance with the Charter. Concerns were expressed that the Audit Committee might want to attend that meeting to reinforce the importance of the work of that department and the committee.

There was a consensus regarding Mr. Scallan's request that the publishing of the Risk Management Accounting and Maintenance Services audits be delayed until he was able to advise the superintendent on the findings as indicated in the Charter for the department. It was suggested that the chairman of the Audit Committee attend that meeting.

In reference to funds currently budgeted for consulting in the amount of \$15,000, Mr. Scallan expressed his desire to reallocate those funds for the purpose of requesting an external quality assurance review of the department in accordance with the terms of the Charter for the department and the standards under which they operate. The committee concurred with his recommendation in as much as he did not need the services of a consultant for the risk assessment and the Charter requires an external quality assurance review.

- VI. There were no items from the Committee members
- VII. There was no public input.
- VIII. There were no announcements.
- IX. The next meeting will be March 8, 2000, at 5:00 with a limited agenda.
- X. Dr. Calvasina adjourned the meeting at 6:58 p. m.

Secretary

Chairman