

**The Escambia County School District
Audit Planning and Review Committee Meeting
Minutes, May 30, 2000**

I. The meeting of the Audit Planning and Review Committee was called to order by Dr. Richard Calvasina, Chairman at 5:09 p.m. in Conference Room B of the Escambia County School District, 215 West Garden Street, Pensacola, Florida 32501. In addition to Dr. Richard Calvasina, the Committee Chair, committee members in attendance were Kelly Bowen, Laura Shaud (replacing Karen Pope, PTA appointee), and Angela Sheffield. Others in attendance were Susan Reed, recording the minutes, Sam Scallan, Director, Internal Auditing, Debbie Fussell, Dr. Clarence Ladner, Thomas Taylor and C. Wayne Odom. Introductions were made of all those in attendance.

II. A motion was made to adopt the agenda by Angela Sheffield, seconded by Kelly Bowen, and passed unanimously.

III. A motion to approve the minutes for the March 28, 2000, meeting was made by Kelly Bowen, seconded by Angela Sheffield, and passed unanimously.

A motion to approve the minutes for the April 14, 2000, meeting was made by Angela Sheffield, seconded by Kelly Bowen, and passed unanimously.

IV. There were no officer's reports.

V. Items from Internal Auditing:

A. Mr. Scallan reviewed 39 Schools Internal Funds Audits including Pine Forest High School and Scenic Heights Elementary School. Pine Forest High had one finding relating to the use of school facilities including classrooms by a religious organization for over six months in violation of board policy including rental fees that had not been remitted to the District. Scenic Heights had a disclaimer of opinion due to a scope limitation resulting from corrupted data files. The remaining 37 schools had no findings.

A motion was made by Kelly Bowen to accept the 39 schools internal funds audit reports, seconded by Laura Shaud, and passed unanimously.

B. External audit of the Risk Management Trust:

Mr. Scallan commented that there was a 5-year contract, renewable annually including a deadline for completion, with Cherry, Bekaert, and Holland, an outside CPA firm in Orlando, to provide the annual audit of the District required by Florida statutes. In addition, the Board had directed that a separate audit of the Risk Management Trust be conducted.

This audit will be folded into this contract by requesting a proposal for additional audit services. The quote for additional services was \$15,000, which will now go back to the Board for approval. Mr. Boyer, Purchasing Manager, brought this matter to Mr. Scallan's attention thinking it might need to be approved by the Committee based on discussion at the last Board meeting.

C. Appointment of Internal Auditor:

Discussion followed concerning the Boards' recommendation of a two-year contract for the internal auditor made previously by the committee. Mr. Scallan reported that there had been a memo from the attorney to the Board, expressing his opinion, indicating that the Superintendent does not appoint the internal auditor. He continued by saying that at the last board meeting the Board tabled a vote to change the Charter in reference to the appointment. Currently, the Charter states that "Based on a recommendation by the Superintendent, the Committee must concur with the appointment or removal of the Internal Auditing Department Head". This language will need to be settled before the contract issue can be decided. Mr. Scallan stated that his present contract doesn't end until June 30, 2001. After further discussion the Committee agreed no further recommendations should be necessary to clarify its position in reference to Mr. Scallan's contract. They still feel that Mr. Scallan should have a two-year contract.

D. Allegations of unethical conduct:

Mr. Scallan referred to a memorandum he sent to the Committee. He informed the Committee that he recently met with the Superintendent to discuss reasons why he was not recommended for a two-year contract. During that meeting, Mr. May expressed his opinion of unethical conduct regarding Mr. Scallan speaking to Board members individually regarding his length of contract and loss of an auditor position. He continued by saying that this constituted lobbying for personal gain regarding his contract and department staff. Mr. Scallan explained to the Superintendent that he felt it was appropriate to discuss contract terms and conditions with board members in as much as he now worked for them and referred to the department's charter in reference to his responsibility to maintain a viable internal audit function. Mr. May stated that the issue would be held in confidence, as he did not wish to pursue the matter.

Mr. Scallan stated that he felt he needed the Committee's guidance due to the allegations and the position he feels he has now been placed in. The Committee questioned whether statutes regarding lobbying for personal gain and the wording of the Charter and codes of ethics should be researched. The discussion followed with Mr. Scallan and the Committee expressing reasons why they felt Mr. Scallan's actions in speaking to board members were appropriate, specifically in that he reports to the Board and followed the Internal Auditing Charter and other rules, regulations, and code of ethics to avoid unethical conduct.

The Committee concluded that based on the response from Mr. Negron, Board Attorney, and recommendations that had been made by the Committee and approved by the Board, no further action was needed at this time. It was also agreed that any future allegations of this nature should always be brought to the Committee's attention. Mr. Scallan stated that problems surrounding the issue of trust and confidence with staff, pointed out in his evaluation, could not be resolved until the issue of appointment was resolved. He reported to the Committee that he had requested to meet with the Superintendent's cabinet to try to establish some understanding.

E. Scope of Committee:

After the first year under the present charter, Mr. Scallan stated that it would be appropriate to make changes to the Charter as the Committee and Board feels appropriate.

F. Presentation of Committee activities to Board:

Mr. Scallan reported that the Board had requested that a written or oral report of the Committee's activities be presented at the monthly board meeting. The Committee agreed that someone would be there to give a report. The Committee noted that minutes of the committee meetings are not sent to the Board and that recommendations are sent in letter format from Dr. Calvasina.

G. Risk Assessment vs District Wide Internal Controls Review:

With the loss of an auditor position, Mr. Scallan stated that he needed direction as to whether to consider a district wide review of internal controls or continue with his efforts to conduct the district's risk assessment. The Committee proposed that Mr. Scallan present a review of an internal control perspective vs risk assessment with management input at the next meeting.

- H. The term of our new PTA representative, Laura Shaud, is May 1, 2000-June 30, 2003
- VI. There were no items from the Committee members
- VII. Public input:

Dr. Clarence Ladner, Associate Superintendent, questioned whether Mr. Scallan's meeting with individual board members concerning his contract and loss of an auditor wasn't a violation of Sunshine Law. Dr. Ladner stated his belief that one cannot lobby individual board members in support of a sunshine committee's recommendation but rather such discussion should take place in an open meeting. He suggested that the Committee check into this for future reference. The Committee did not feel that any Sunshine Law violations had occurred given the auditor's relationship to the Board.

Dr. Ladner also raised a question as to Mr. Scallan's authority to audit certain areas. There was discussion concerning specific requests as to whether or not Mr. Scallan had the authority to undertake these assignments or if they weren't outside the scope of his department. Two requests were discussed, one was the request to acquire an interpretation from the Department of Education regarding a State Board Rule regarding the requirement to use the services of a registered architect in the replacement of the roof on the building at 215 West Garden. The other request was to view the Kirksey building, a storage building, to assess maintenance funding requirements for its upkeep. After discussion, the Committee concluded that obtaining an interpretation from the state was within the scope of Mr. Scallan's authority. Regarding the second request, the Committee noted that Mr. Scallan called and requested that Mr. Mark Pursell, Maintenance Director, accompany him to help with this request. The Committee agreed that by involving Mr. Pursell, Mr. Scallan had the authority and expertise to fulfill the request. Dr. Ladner asked if anything was beyond Mr. Scallan's scope and the Committee responded that as long as the proper steps were taken that no area was outside his scope or authority. The Committee pointed out that Mr. Scallan does have a charter, set guidelines, professional standards, and a code of ethics to follow as well as an audit committee for direction. Angela Sheffield commented that the Committee needs to be more diligent in reviewing the requests that are received and needs to communicate to the Board when they feel such a request is out of line. Laura Shaud stated that staff and cabinet need to understand that there may be times when the Internal Auditor may have an opinion that they may not share.

Dr. Ladner, C. Wayne Odom, and Tommy Taylor, discussed concerns relating to the right to audit clause. They felt that such language might not be necessary in all contracts. Mr. Taylor had concerns regarding contracts dealing with workers and students (cooperative agreements), where no funds were changing hands. The Committee reminded those present that audits are not restricted to financial issues.

VIII. Announcements:

Mr. Scallan reported he attended NALGA conference. He also stated that Ms. Stidham, Board Chairman, had requested that he attend the next meeting of the Citizens Advisory Committee for Facilities to discuss the audit clause with members. Mr. Scallan also informed the Committee that the Superintendent, his cabinet, and Board members are being reminded through e-mail of the Audit Committee meetings.

Angela Sheffield, Parliamentarian, will check Robert's Rules of Order for clarification regarding transferring the position of Audit Committee Secretary from the past PTA committee representative to the new representative.

IX. Committee members will be contacted at a later date as to scheduling of the next meeting.

X. Dr. Calvasina adjourned the meeting at 6:55 p. m.

Secretary

Chairman