

The Escambia County School District
Audit Committee Meeting
Minutes, October 11, 2006

- I. Earl Lee, Interim Chair, called the meeting of the Audit Committee to order at 5:20 p.m. in Conference Room B of the Vernon McDaniel Building, 215 West Garden Street, Pensacola, Florida 32502. Ms. Martha Smith was introduced as the replacement for Mr. Fred Hurd, who had resigned as Audit Committee Chair at the June 22, 2006 meeting. The members welcomed her to the Committee. Other committee members in attendance were: Jennifer King and Virginia Yeagle. Those also present were: David Bryant, Director, Internal Auditing; Barbara Linker, Assistant Superintendent, Finance; Debbie Fussell, Financial Analyst; Michele Kiker and Amber Culleiton, Internal Auditors; and Susan Reed, recording the minutes.
- II. The Committee adopted the agenda with the exclusion of the Brownsville Middle School Audit, which was tabled.
- III. Mr. Lee called for public input. There was none at that time.
- IV. The minutes for the June 22, 2006 meeting were approved as presented and the minutes of the July 13, 2006 meeting were approved with a correction to the meeting start time from 5:02 p.m. to 1:00 p.m..
- V. Items from Internal Auditing
 - A. Mr. Bryant introduced recently hired internal auditors, Michele Kiker, a returning auditor and Amber Culleiton, new to the District, both highly rated by the interview committee.
 - B. Mr. Bryant presented a background of the changes in procedures for conducting and presenting internal funds audits. He stated that he felt these changes would still result in fieldwork sufficient to develop an opinion on internal funds. He also reiterated that he felt these changes met the Committee's desire to reduce the amount of time on internal funds audits and that these changes had been discussed with the District's external auditors and these same procedures had been performed by Leon County's Internal Auditing Department for the last few years. Mr. Bryant reported two types of audits were performed, "full" audits (traditional internal funds audits) and "limited" audits (audits with limited procedures). Full audits were conducted for approximately 1/3 of the schools. Certain steps included in prior year's internal funds audit programs were eliminated this year. Mr. Bryant indicated that over the years, many steps not related to internal funds had been added to the program. He indicated that certain eliminated steps might represent a separate audit, for example an audit of booster club documentation. Full audits conducted represented 1/3 Elementary, 1/3 Middle, and 1/2 High Schools. In addition, full audits were conducted for schools with new principals, new bookkeepers/secretaries, or those that may have had significant findings in the past. Mr. Bryant also stated the full audits represented approximately 45% of total internal funds receipts in 2005-2006. He stated limited audits were conducted for the remaining schools. Mr. Bryant described the limited audit process as being comprised of reviewing internal control questionnaires filled out by the principal and bookkeeper/secretary, resolving any concerns over internal controls, and tying independent bank confirmations to bank reconciliations and bank statements and other minor compliance issues. Due to the changes in auditing procedures and the desire to maintain a constant presence in the schools, Mr. Bryant stated the department plans to increase the number of surprise cash counts conducted at schools and include steps to check other concerns during their visits.

During the discussion of internal funds audits, members asked questions regarding the new software. Mr. Bryant stated the new internal funds software had not created any material audit concerns. Ms. Fussell reported new bookkeepers/secretaries were given a couple hours of training when requested. Mr. Bryant added they were given a manual at the original training sessions and that Ms. Fussell has provided simple instructions for use with the new software. Mr. Bryant reported that Ms. Reed logs and reviews the required internal funds monthly reports from bookkeepers/secretaries and sends reminders to assure reports are received in a timely manner. Ms. Fussell stated the software prevents bookkeepers/secretaries from closing the month until they are balanced. She stated the software allows her to check that the past month is closed, which she does frequently.

Ms. Yeagle questioned a negative balance in the general fund for Wedgewood Middle School. Mr. Bryant responded he also had a concern and had discussed his concerns with Ms. Fussell.

A motion was made by Jenny King, seconded by Virginia Yeagle and passed unanimously to accept the full internal funds audits without findings as presented.

A motion was made by Virginia Yeagle, seconded by Martha Smith and passed unanimously to accept the limited internal funds audits without findings as presented.

Mr. Bryant presented a draft district-wide internal accounts audit stating the audits purpose was not to express an opinion on financial statements, but express an opinion as to whether transactions were consistent with Statutes, state and Board rules. He stated the report contained copies of all school financial statements and a management letter containing comments and recommendations. In addition, Mr. Bryant stated the comments and recommendations of the report covered problems/concerns found at a significant number of schools/centers. He explained the problems/concerns found at each individual school might not have warranted a finding but when viewing the District as a whole; some of the issues when combined collectively were more significant.

Ms. Yeagle expressed concern regarding the department reviewing monthly financial reports sent in by the bookkeepers/secretaries. She stated monitoring was a management function. Ms. Yeagle discussed a few comments noted in the report, which Mr. Bryant discussed with the committee. Ms. Yeagle suggested having procedures in place to use when policies and procedures are not followed or taking action to readdress the policy. The Committee discussed possible ways to present problems/concerns regarding rules and policies not being followed correctly to principals and bookkeepers/secretaries. Ms. Yeagle suggested including a paragraph in the cover letter explaining the scope of the comments and to clarify the difference between individual and District wide audits.

A motion was made by Virginia Yeagle, seconded by Jenny King and passed unanimously for a general acceptance of the District Wide Report including suggested changes and any additional changes not affecting the materiality of the report.

Mr. Bryant reported that all internal funds audits had been presented to the Committee with the exception of the one tabled audit. He stated the department had participated in two investigations. In addition, he briefly discussed two other reviews, one with no significant results.

- C. Mr. Bryant announced Ms. Betsy Bowers, UWF Associate Vice-President, had agreed to perform the QAR. He reported he would do a self assessment with Ms. Bowers providing an independent validation.

Mr. Bryant presented an annual work plan pointing out that the plan included work performed from the beginning of the fiscal year. He also pointed out the auditors did not start at the beginning of the year, which affected the available annual hours. Mr. Bryant reported the areas of fringe benefits and construction had been impaired due to his involvement with FEMA recovery and Ms. Kiker's recent employment in the Risk Management Department of the District. Mr. Bryant stated he hoped to include these major areas on next year's work plan. Mr. Bryant indicated that the department did not have any impairment in the area of Payroll, which represents a significant risk to the District. Since Payroll is a large function, Mr. Bryant stated he planned to audit several small payroll areas, with the desire to perform a larger payroll audit in 2007-2008. Other audits on the work plan were discussed including Ethics/Fraud, internal funds purchasing cards and public requests. Mr. Bryant also discussed the possibility of requesting the addition of an FTE Audit if time allowed. Ms. Smith suggested using weighted averaging in next year's risk assessment.

A motion was made by Virginia Yeagle, seconded by Jenny King and passed unanimously to accept the annual work plan as presented.

Mr. Bryant announced Ms. Kiker, Auditor and he would be attending a seminar in Tallahassee on Audit Reporting. In addition, he also announced he would be attending seminars on Best Practices and Audit Report Writing.

- VI. Mr. Bryant reported the Correspondence section of the agenda packet contained a new contact list for the committee members and copies of memos since the last regular meeting. He stated the included Co-op memo addresses one of the Co-op positions that has been advertised but has had no response. Ms. Yeagle suggested contacting the University of South Alabama in Mobile and Troy State to see if a student might be found.
- VII. There were no items from committee members.
- VIII. A motion was made by Virginia Yeagle, seconded by Jenny King and passed unanimously to elect Martha Smith as the new Audit Committee Chair.
- Mr. Bryant announced Mr. Lee would be reverting to his position as PTA representative.
- IX. The next meeting is tentatively scheduled for November 29, 2006 at 5:15 p.m..
- X. Mr. Lee adjourned the meeting at 7:23 p.m.

Secretary

Chair