

**The Escambia County School District
Audit Committee Meeting
Minutes, May 12, 2003**

- I. Mike Adkins, Chairman, called the meeting of the Audit Committee to order at 5:42 p.m. in Conference Room B of the Vernon McDaniel Building, 215 West Garden Street, Pensacola, Florida 32501. Committee members in attendance were: Betsy Bowers and Kathy Langley. Others in attendance were: Sam Scallan, Director, Internal Auditing; Board Chair, Linda Finkelstein; district staff members, Barbara Linker and Laura Shaud; one person from the public and Susan Reed, recording the minutes. Committee members not in attendance were: Aleta Hudson and Audrey Morrison.
- II. Upon motion and second, the Committee adopted the agenda.
- III. There was no public input.
- IV. The March 3, 2003, meeting minutes were approved as submitted.
- V. Items from Internal Auditing:
 - A. Thirteen Internal Funds Audits were presented to the Committee for acceptance. There were no findings other than the standing comment regarding segregation of duties. Mr. Adkins recommended that the next year's audit routine include steps to access and/or recommend mitigating controls relating to this finding.

The Committee accepted the thirteen internal funds audits with no objections.
 - B. Mr. Scallan presented seven projects containing drafts of four completed reviews, two studies and one analysis report for information purposes. The reviews were: George Stone Vocational Center Student Fee System, the Holm Elementary School Pre-K Collections, the Accounts Receivable Review, and the FTE Review. Research reports were presented for an ethics policy and an audit clause.
 1. Mr. Scallan reported that the review of the George Stone Student Fee System is performed annually to assess the effectiveness of the internal controls governing the fee collection system. In reference to an incorrect statement in management's responses, Mr. Scallan stated that he had discussed it with the director of the center and had received an e-mail confirming the correct response. When questioned about fees collected for cosmetology services, Mr. Scallan responded that this review is conducted annually as fees collected from the public flow through the center's internal funds and become part of district funds.
 2. Mr. Scallan presented the Holm Elementary School Pre-K Collections Review. The report noted minor problems with fee collections and the lack of any controls to verify the amount of fees due the district from the


Pre-K Coalition. The coalition sets rates and because of the variables involved the district can only perform a "reasonable test" against the amount paid to them. According to Mrs. Linker, Assistant Superintendent-Finance and Business Services, such fees amount to almost one million dollars annually.

3. Mr. Scallan reported that an exit conference was held with management to discuss the Accounts Receivable Review and the first draft of the report was reissued with minor changes. Management's response also contained few changes. When the Committee discussed the receivables generated from court-mandated restitutions, Ms. Shaud, Director, Budgeting, reported that there would be a reconciliation of those receivables and a future request for write-offs. Mr. Scallan expressed a continuing concern in regards to monitoring of Risk Management receivables accounts and whether there has been an agreement as to who is the responsible party for those accounts. Ms. Shaud stated that they had met with Risk Management and a memo of understanding will be developed regarding this.
4. Mr. Scallan discussed the FTE Review that is conducted every three years prior to the state review. FTE records at selected schools were reviewed, noting errors in record keeping procedures and errors that could cost the district money. The Committee recommended removal of one statement contained in the report, discussed the purpose for doing this type audit, and stated that Mr. Scallan should not be performing monitoring activities but instead should review how district staff monitors FTE records. Finance staff indicated their desire that the Internal Auditing Department should continue performing this review. In conclusion, the Committee recommended that the report be pulled and that Mr. Scallan hold a formal exit conference with management and bring the report back to the next meeting. They also recommended that this project be added to the Risk Assessment for consideration in the annual work plan.
5. In reference to the Invoice Analysis of Aon Consulting, Inc., Mr. Scallan gave the Committee a brief summary of the latest results concerning that analysis. He asked for guidance concerning requests of this type review when a quick response is requested.
6. Mr. Scallan presented the results of a study with recommendations regarding the need for a formal ethics policy for the district. The report also included guidelines for such a policy. Mr. Scallan suggested that to be most effective, such a policy should come from management and recommended that a committee be formed including members of district staff. He reported that Ms. Bowers would be speaking to the Board on items from the Committee including an ethics policy at the Board workshop in Mr. Adkin's absence.

7. Mr. Scallan next discussed the continuing need for Right to Audit language in all contracts issued by the district. The report he presented is a continuing effort by the Audit Committee to study and recommend such language in all contracts. Although the district currently uses such language in RFP's (expenditures over \$25,000), such language does not exist in any contracts for purchases using other agency bids or in any construction contracts. Additional information regarding the survey done by Tiffany Barton, Auditor, was given to the Committee. The Committee discussed the concept and agreed to present a recommendation to the Board at the next meeting.
- C. Mr. Scallan pointed out the current projects as listed on the agenda. It was recommended to change the description of one project to better reflect the status.
- D.
 1. Mr. Scallan reported that the term of office for the PTA representative to the committee would expire at the end of June, but that the individual had only served one year of the un-expired term. He requested the Committee's opinion as to whether her continuing for another term would be in line with the Committee's Charter regarding consecutive terms. The Committee recommended that the charter language be interpreted literally and that the Escambia County Council of PTAs be contacted regarding the need to appoint a new representative.
 2. Mr. Scallan asked direction regarding responsibilities pertaining to monitoring of things such as purchasing card usage and extra pay timesheets when performing internal funds audits. The Committee agreed again that Internal Auditing's reviews of how district staff monitors these activities would be more appropriate than reviewing the activities themselves. Ms. Shaud disagreed stating that she believed that Charter language did support inclusion of steps to audit these type activities as part of internal funds audits.
 3. Mr. Scallan referred to the information presented to the Committee regarding outsourcing inventorying of fixed assets. He commented that his research was initiated when the former inventory technician resigned leaving the position vacant. The firm contacted, currently under contract with the two school districts adjacent to Escambia County, provided a comprehensive proposal in January 2003. The first year cost proposal exceeded the current cost of performing the function in-house. In addition, the proposal did not provide for follow-up to the initial inventory, a significant part of the function, nor did it address inventories required anytime there is a change in a department head or principal. The Committee discussed the proposal and concurred with the recommendation to retain the function in-house.

4. Mr. Scallan requested direction in conducting special or quick response audits. The Committee discussed various aspects of the issue and agreed that counseling with the Committee Chair on such matters when they occur was sufficient; their purpose was not to micromanage. Mr. Adkins asked whether drafts of such reports could be communicated to Audit Committee members via e-mail and requested that Mr. Scallan obtain guidance from Board Counsel on the subject of e-mails to members and their classification as a public record and report back at the next meeting.
 5. Mr. Scallan requested the Committee's guidance when referring to actions of employees as part of an audit report, i.e., apparent violations of statute, policy, etc. He explained that on several occasions district management had questioned references to employees' actions in audit reports. The Committee indicated that references to such actions are appropriate in an audit report and recommended the continued use of employee titles when making such references. They suggested that drafts of such reports should be provided to Board Counsel for legal guidance.
 6. Mr. Scallan discussed the continued requisite for access to records and adequate staff training for reviewing these records. He shared his frustration in making arrangements for staff training for data queries only to have funding pulled. Ms. Linker remarked that one reason for limiting those who have access is to keep the system from becoming bogged down. Mr. Adkins reiterated the importance of submitting the department's budget directly to the Board once approved by the Committee.
- VI. Mr. Adkins announced he would not be able to make the Board Workshop and that Ms. Bowers would represent the Committee and would present a report including recommendations discussed at tonight's meeting.
- VII. Mr. Adkins announced the end of his term, June 30, 2003, and reported the need for a new Chairperson.
- VIII. The next meeting will be decided at a later date via e-mail.
- IX. A motion to adjourn was made by Betsy Bowers and seconded by Kathy Langley. Mr. Adkins adjourned the meeting at 7:08 p.m.


Secretary


Chairman