

**The Escambia County School District
Audit Planning and Review Committee
October 11, 1999 (DRAFT) *FINA***

- I. At 5:17 p.m., Room 215 of the Gulf Power Corporate Offices, 555 Bayfront Pkwy, Pensacola, Florida 32501, the meeting of the Audit Planning and Review Committee was called to order by the Chairman, Dr. Richard Calvasina. In addition to the Committee Chair, committee members in attendance were Shelly Blake, Karen Pope, and Angela Sheffield. Others in attendance were Susan Reed to record the minutes and Sam Scallan, Director, Internal Auditing. Kelly Bowen was absent due to a scheduled out-of-town job. Agendas were made available to all in attendance.
- II. Minutes of the August 17th meeting were approved prior to this meeting via E-mail and are filed as part of this agenda.
- III. There were no reports from committee officers.
- IV. Under audits /reviews of Unfinished Business
 - A. 1. Mr. Scallan explained that the George Stone Fee Review is an annual review of internal controls regarding the collection of one half to three quarters of a million dollars annually in adult vocational fees. Concerns were expressed regarding the "Q and A" (fee collection and accounting) system developed and maintained by Mr. Bill Renfroe, employed as a guidance counselor. Mr. Scallan explained that this problem is being addressed with a new fee collection system to start-up July 1, which although delayed, will replace "Q and A" and resolve this problem. There was also a problem with uncollected amounts but this was due to the Accounting Clerk not being given a collection deadline. Since this is an annual audit, there will be a follow-up.

The question was raised regarding whether findings contained in an audit report effect the principal's annual performance review. Mr. Scallan explained that regarding audits of school's internal funds, a copy of a letter sent from the Chairman of the Board to the principal acknowledging acceptance of the report is placed in their personnel folder.

A question was raised concerning language in the proposed charter for the Internal Auditing Department requiring the Committee's prior acceptance of all audits/reviews prior to publication and the delays they may cause. After much discussion the committee concluded that the current language was appropriate.

A motion was made by Karen Pope to accept the George Stone Fee Review for publication and dissemination to Board members and seconded by Angie Sheffield. The motion passed unanimously.

2. Mr. Scallan explained that the audit of the Beulah Academy, a chartered school, was a standard internal review conducted after the first year of operations. The audit contained only minor recommendations. Upon question by the committee, Mr. Scallan explained that the Beulah Academy is a chartered school that enters into a formal charter approved by the Board. Funding is set by a percentage of the FTE funds that the students at the charter school generate. The school receives 95% of the basic funding from FTE funds which flow through the District.

The report raised concerns regarding the racial make-up at the school for the first year but it has since been brought in line. The District's risk assessment will determine whether we will do a follow-up. However Mr. Scallan stated that based on the findings in this report it's not likely to get a high priority.

A motion was made by Angie Sheffield to accept the Beulah Academy of Science Review for publication and dissemination to Board members and seconded by Shelly Blake. The motion passed unanimously.

3. The audit of N. B. Cook Construction Project Interim Report of the Competitive Bid Process was discussed. Mr. Scallan explained that management did not accept one recommendation; specifically the recommendation that an inspection and audit clause be included in all construction contracts including lump sum, low bid contracts. He explained that this recommendation had been in other reports as far back as 1995. Discussion followed regarding this issue. The committee expressed general agreement with the recordation. Mr. Scallan further explained that he was still attempting to gain management's "buy-in" to this recommendation and begged the Committees indulgence to again attempt to do so. The Committee agreed to delay release of the report to avoid interrupting any progress that he may be making. They requested he bring this matter to closure quickly.

* Shelly Blake announced she needed to leave due to a previous commitment. To include her in the discussion of setting the next meeting date and time, the item was brought forward on the agenda. The next meeting date was set for November 15, at 5:00 p.m. The meeting continued as a quorum was still present.

4. The audits of Northview High School 's and Ferry Pass Elementary School's Internal Funds were discussed. The Committee expressed concern with segregation of duties of Bookkeepers/Secretaries who post and deposit collected monies. Mr. Scallan shared that concern but explained that mitigating controls had been established and placed in operation. He described several and explained that collectively all student activity funds in the District transact approximately five million dollars annually.

A motion was made by Angie Sheffield to accept both internal funds audits for submission to the Board at the November meeting. The motion was seconded by Karen Pope and passed unanimously.

B. 1. Regarding the District Risk Assessment, Sam Scallan explained that he will be attending the Institute of Internal Auditors' State and Local Governmental Conference in Orlando the first two days of November. He and one staff auditor will attend and while there he plans to attend presentations being conducted by the Internal Auditors for the city of Austin, Texas, who have just gone through a comprehensive district wide strategic model planning that sets their five year, long range, audit plan. He has already spoken with them and hopes to gain additional information for guidance in putting together a language that will address concerns from all stakeholders including the public, Superintendent, management, Board, committees, etc. Auditors for the city of Austin have an excellent web page, a staff of 30, responsible for auditing, with a budget of 1.5 Billion dollars. Discussion followed concerning whether that audit group would be interested in "lending" audit executives to assist in the risk assessment.

Additional discussion on the District's upcoming risk assessment centered on recommendations included in the MGT report and concerns expressed by the Board regarding language in the report used to describe an audit risk factor referred to as "political sensitivity and adverse publicity." In addition Mr. Scallan explained the risk assessment's relationship to the District's Strategic Aims.

The Committee questioned whether there was sufficient work for the Internal Auditing Department to do until the risk assessment is completed, outlining the first year's workplan. Mr. Scallan explained that internal funds audits and completion of several other current audits would provide sufficient work until then.

- V. A. 1. Mr. Scallan reported that the final draft of the MGT Report had no changes in recommendations on Internal Auditing. The Board took action on all the recommendations made.
2. The Executive Summary was presented to the committee for informational purposes with no discussion.
3. The Internal Auditing Director's letter, responding to information contained in MGT draft, was for informational purposes with no discussion.
4. The Director's letter summarized the Board's action on the MGT recommendations. Mr. Scallan then summarized the letter's contents.

Regarding the recommendation in the report to establish a fraud, waste, and abuse policy, Mr. Scallan explained that he had met with the Superintendent to seek his views on the issue. Mr. May was open to the concept and asked that he proceed with proposed language for future review.

- B. The revised job description for the Internal Auditing Director was presented. Mr. Scallan explained that it had been presented to Human Resources for review. They had approved it with the inclusion of the "qualifications may vary" clause. He was informed that the Board had directed that this clause be added to every professional and administrative job description some years back. After discussion, the Committee recommended this clause be waived as the qualifications for the job, as written, were broad enough to assure a qualified candidate. They recommended that the job description be submitted to Human Resources for placement on the November regular School Board Agenda along with their recommendation to waive the "qualifications may vary" clause.

The importance of being at board meetings was discussed at this time with emphasis on the need to be present at times when a committee member might be needed to speak on certain issues such as the job description. The date, time, and place of the board meetings was given along with the importance of attending the workshop held on a different day prior to the day of the board meeting.

- C. 1. Mr. Scallan announced that Ms. Linda Lewis, a member of the audit staff was considering accepting nomination for Vice-President of the Florida Association of School Business Officials. The nomination carries a three-year commitment. He explained that the purpose of bringing this issue to the Committee was to obtain their support and encouragement for the nomination. Funds required to attend meetings would come from those allocated in the department's budget. The Committee joined Mr. Scallan in encouraging Ms. Lewis to accept the nomination.
2. Mr. Scallan gave an update on the status of transitioning Property Control's operational duties to other departments in the District. He discussed his continued dialog with district staff and gave the Committee an overview of the functions of the Property Control Department including his request to keep inventorying of fixed assets as an audit function. Mr. Scallan expressed his views that this area needs more direct attention than his new reporting can provide. Transition of responsibility for the administration of Student Activity Funds (Internal Funds) was moving slower. There is disagreement amongst district staff as to where various duties would best fit. This is coupled with concerns from the Finance Department of the need for adequate staff to take on these duties. He explained that timesheets maintained by his staff indicated that, over a one year period, approximately one fourth of a full time equivalent staff position's time is currently expended in support of this function. The Finance Department, with a staff of over fifty employees, could more easily absorb these duties than the Auditing Department giving up one third of its entire staff as was recommended in the MGT study. The Committee concurred. Mr. Scallan explained that, in light of the district hiring freeze, Mrs. Patricia Wascom, Assistant Superintendent for Finance and Business Affairs, had

requested those functions continue to be performed by the Internal Auditing Department until the freeze was lifted July 1, 2000.

3. Mr. Scallan advised the Committee that the charter for the operations of the Internal Auditing Department approved last month was waiting for review and approval by top management (the Superintendent's Cabinet). He explained that the standards for the Professional Practice of Internal Auditing suggest they seek approval of the charter by senior management. It has been requested that he discuss the charter with them at the weekly cabinet meeting. He explained that Mrs. Wascom had expressed concerns by some cabinet members concerning proposed language.
4. Mr. Scallan discussed concerns raised by Dr. Mason and some members of the Citizens Advisory Committee regarding proposed language in the Charter for the Internal Auditing Department. They were concerned with language that called for a collaborative effort on the part of the Chairman of the Audit Committee and the Superintendent in conducting the annual performance review of the Internal Auditing Department head. Mr. Scallan met with the CAC-Finance just prior to this meeting and brought language from them as a compromise to that proposed in the charter. He said that the language proposed by the CAC-Finance represented an acceptable blend of his views and that of the CAC-Finance and that he supported this compromise. The Committee concurred with the language recommended by the CAC-Finance.

Mr. Scallan further explained that it was his desire to seek acceptance of the language in the charter by the CAC-Finance and recommended that once the proposed language was approved by the Superintendent's staff, that it be forwarded to the CAC-Finance for exposure and comment. He acknowledged that the Audit Planning and Review Committee's ultimate authority, granted to them in Board policy, requires their approval of the final language prior to presentation to the Board.

- V. There were no items submitted.
- VII. There were no items from the public.
- VIII. Mr. Scallan advised the Committee that he would be attending the Florida School Finance Officers Fall Conference in Destin, Florida, November 10 and 11. In addition, he reminded the Committee that a member of his staff and he would be attending the State and Local Auditors Conference sponsored by the Institute of Internal Auditors in Orlando on November 1 and 2. They were car-pooling in an attempt to conserve travel funds.
- IX. The next meeting of the Audit Planning and Review Committee was set for November 15, 1999, at 5:00 at Gulf Power's Corporate Offices on Bayfront Parkway.
- X. The meeting adjourned at 6:50 PM.

Karen Boze 11-15-99
Secretary Date

Richard V. Clovoin 11/15/99
Chairman Date