

MINUTES  
CLARK COUNTY SCHOOL DISTRICT  
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES  
**AUDIT ADVISORY COMMITTEE**  
ADMINISTRATIVE CENTER, ROOM 466  
5100 WEST SAHARA AVENUE, LAS VEGAS, NV 89146

June 24, 2015

9:34 a.m.

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Roll Call:	<u>Members Present</u>	<u>Member Absent</u>
	Patrick Patin, Chairman	B. Keith Rogers
	Colleen Boyle	
	Anthony Mook	
	Patricia Morris	

Kevin L. Child, Board of School Trustee Liaison

Pat Skorkowsky, Superintendent of Schools

Also present were: Jim McIntosh, Interim Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Tamara Miramontes, CPA, Proposed Engagement Partner, Eide Bailly LLP; Cindy Krohn, Executive Assistant to the Board, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

**ADOPT AGENDA**

*Adopt agenda.*

*Motion: Boyle    Second: Mook    Vote: Unanimous*

**PUBLIC COMMENT PERIOD**

None.

**APPROVE MINUTES**

*Approval of minutes from the meeting of March 18, 2015.*

*Motion: Mook    Second: Morris    Vote: Unanimous*

**APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Approval regarding timing, status, issues and results of the external audit of the Clark County School District for the fiscal year ended June 30, 2015.

Ms. Miramontes stated that Anna Danchik is no longer with the firm Eide Bailly, and the firm has assembled a new team out of their Colorado office. She said in terms of the audit, they have established a timeline for interim work, and they will be in the field on July 13 for three weeks working on internal control walk-throughs, risk assessments, and the single audit on the food/nutrition cluster.

**APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (continued)**

Mr. Patin asked if there was an update on Governmental Accounting Standards Board (GASB) 68.

Ms. Miramontes said she believes the audit firm for the Public Employees Retirement System (PERS), CliftonLarsonAllen, is working to produce their report, and the District and Eide Bailly would be receiving information by the end of August.

Mr. McIntosh noted that the PERS liability will affect the District's net assets, and there is a high probability that this figure for could make the District's net assets negative.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT FRAUD RISK EXPOSURE**

Approval regarding the current risks to the Clark County School District from fraud, including discussion of the District's anti-fraud programs.

Mr. Patin discussed the fraud triangle concept, which outlines the conditions that must be present for fraud to potentially occur, which are pressures, opportunities, and rationalizations. He talked about how those elements can be mitigated or controlled. He said key areas that he believes to be potential areas for fraud and theft risk are cash in school banks, purchase cards, and electronic devices. He said a new area of potential concern is the reorganization of the District.

Mr. McIntosh explained that a committee of appointed members would be created to develop a plan for the reorganization of CCSD. He said the District would be broken up into separate precincts within CCSD, and this will automatically go into effect for the 2018-2019 school year.

Mr. Patin asked Mr. McIntosh to discuss areas of potential fraud in the District and programs in place to mitigate those risks.

Mr. McIntosh said the purchasing card program and the cash in the school banks have always been areas of risk, but there are good controls in place.

Ms. Scott agreed with those major risks named and said her department attempts to be proactive in determining why fraud is taking place, particularly in the school bank area. She said she and the school accounting coordinator will begin offering training to school principles.

In terms of the tone at the top, Mr. Patin asked if the District is effectively communicating throughout the organization that ethical behavior is expected and required and that fraud and theft would not be tolerated and would be addressed.

Trustee Child said he feels there needs to be more communication in that area.

Mr. McIntosh said there is a paragraph on ethics in the employee handbook, but staff has discussed creating a separate ethics document.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT FRAUD RISK EXPOSURE**  
(continued)

Ms. Scott said staff is looking into creating a formalized ethics program and code of conduct document that employees would be required to sign.

Ms. Morris commented that what is most effective is action taken against employees who violate these rules.

**APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2015-2016 FISCAL YEAR**

Approval regarding the Clark County School District Internal Audit Department's assessment of risk for the fiscal year 2015-2016, including but not limited to, the general fund and CIP.

Ms. Scott reviewed the Internal Audit department's Audit Universe with Risk Rankings 2015-2016 as outlined in Reference 3.04, including a summary of changes to the Risk Assessment and the Rolling Audit Plan. She also discussed her process for determining this evaluation; namely, meeting with department and division heads, considering their expressed concerns, changes in departments and divisions, and internal controls and recent audit activities, and overall financial exposure.

Ms. Morris asked how this plan aligns to the Superintendent's and the Board's priorities.

Ms. Scott stated that she submits her plan to the Deputy Superintendent who reviews the plan and then submits it to the Superintendent for review.

**APPROVE REVIEW OF THE 2015-2016 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT**

Approval of the proposed audit plan of the Clark County School District Internal Audit Department for the 2015-2016 fiscal year and the rolling audit plan, as recommended in Reference 3.05.

Ms. Scott presented the Internal Audit Department Audit Plan for 2015-2016 as outlined in Reference 3.05.

Mr. Mook commented on the 20 percent of planned hours for special request audits and asked how that compares to other large districts.

Ms. Scott said she had not asked that question of other school districts' internal audit directors but offered that based on prior activity for CCSD, 20 percent was typical.

Mr. Mook inquired about the payroll system update for the District.

**APPROVE REVIEW OF THE 2015-2016 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT (continued)**

Mr. McIntosh said that program is still on track at this time and will be funded in the current budget, but there is some concern about the District's ability to implement the program and the cost to maintain the program.

Ms. Morris suggested including the number of auditors assigned in addition to the budgeted hours.

Ms. Scott said that typically it is one auditor per assignment.

Ms. Boyle asked what happens if the set goals are not met.

Ms. Scott said she has had to revise the Audit Plan in the past. She briefly discussed the Rolling Audit Plan.

*Motion to approve the proposed Internal Audit Plan for 2015-2016 along with the Rolling Audit Plan.*

*Motion: Morris Second: Boyle Vote: Unanimous*

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT REGULATION 3420, PERIODIC AUDITS**

Approval regarding the review of the Clark County School District Regulation 3420, Periodic Audits, as recommended in Reference 3.06. Any changes recommended to Regulation 3420 at this meeting will be brought forward to the Board of Trustees and will not be implemented unless adopted by the public policy review process at a regular meeting of the Board of Trustees.

Mr. Patin said that he recently reviewed CCSD Regulation 3420 and did not note any necessary additions or deletions for recommendation to the Board.

Ms. Scott commented that Regulation 3420 meets the needs of the District.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT STAFFING AND QUALIFICATIONS**

Approval regarding the current staffing levels and qualifications of the Clark County School District Internal Audit Department.

Ms. Scott said currently there are eight full-time auditors in her office, and she is in the process of interviewing and hiring two University of Nevada, Las Vegas (UNLV) student interns who will begin in the fall and will assist with basic elementary school audits. She said five of the eight auditors hold multiple certifications, two auditors are in the process of obtaining their certifications, and the most recent hire has expressed an interest in becoming certified. She said all of the auditors have extensive internal audit backgrounds.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT STAFFING AND QUALIFICATIONS (continued)**

Ms. Scott stated that she is a Certified Internal Auditor (CIA), as well as a Certified Fraud Examiner (CFE). She said that she has held a position in Internal Audit with the District for nearly 17 years and prior to that she worked in internal audit in the casino industry.

**APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT**

Approval on work performed by, and the status of the Clark County School District Internal Audit Department for the current fiscal year.

Ms. Scott reviewed the Internal Audit Department Audit Plan Update for Fiscal Year 2015 as of June 15, 2015, as outlined in Reference 3.08.

Mr. Patin asked about special audit requests that Ms. Scott was unable to perform.

Ms. Scott stated that eight principals who had changed schools requested special audits, and she was unable to accommodate them because of her department's workload. She said she has told them that they can call her with any specific concerns they may have.

**APPROVE UPDATE FROM THE CLARK COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT**

Approval regarding an update from the Clark County School District's financial management department on the current and future expected financial conditions, recently issued Governmental Accounting Standards Board pronouncements, school construction, the budget, and the District's budget visualization tool known as "Open Book."

Mr. McIntosh shared that during the recent legislative session, a lot of money was given to school districts in categorical programs, but there was concern that the District did not receive enough funding in the Distributive School Account (DSA). He said there is a decrease of \$15.00 per pupil compared to the previous year. He said the District did not receive enough funding to avoid budget cuts, and there is a budget meeting scheduled for June 29 where the Board will be presented with a proposed budget for their approval.

Mr. McIntosh discussed Senate Bill (SB) 207 related to the bond program for the District, Assembly Bill (AB) 394 related to the reorganization of the District, and SB241 related to Nevada Revised Statute (NRS) 288, the collective bargaining statute.

Mr. Patin asked to be kept apprised of information related to GASB 68.

**APPROVE FUTURE MEETING PLANNING**

Approval for future meetings of the Audit Advisory Committee.

*Motion to hold the next Audit Advisory Committee meeting on September 30, 2015, at 9:30 a.m. at the CCSD Administrative Center in room 466.*

*Motion: Boyle Second: Mook Vote: Unanimous*

**AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS**

Mr. Patin said the Committee's next meeting would focus on external audit, discussing the process to review the Comprehensive Annual Financial Report (CAFR) and preparing for the joint meeting with the Board to be held on November 13, 2015.

**PUBLIC COMMENT PERIOD**

None.

**ADJOURN:** 10:50 a.m.

*Motion: Mook Second: Boyle Vote: Unanimous*