

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

AUDIT ADVISORY COMMITTEE

Monday, July 9, 2012

9:31 a.m.

Roll Call: Members Present
 Patrick Patin, Chairperson
 Cathy Jones
 David Kellerman
 Tina Quigley
 B. Keith Rogers
 Erin Cranor, Board Liaison

Dwight D. Jones, Superintendent of Schools

Also present were: Jeff Weiler, Chief Financial Officer, Operations Support Unit; Jim McIntosh, Deputy Chief Financial Officer, Operations Support Unit; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Cindy Krohn, Executive Assistant to the Board, Board Office; Tamara Miramontes, CPA, Audit Manager, Kafoury, Armstrong, & Co.; Daniel Rushin, CPA, Senior Audit Manager, Kafoury, Armstrong, & Co.; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

ADOPT AGENDA

Adopt agenda.

Motion: Kellerman Second: Jones Vote: Unanimous

Ms. Quigley was not present for the vote.

APPROVAL OF THE MINUTES

Approval of the minutes of the meetings of January 18, 2012, and February 29, 2012, as recommended.

Motion to approve the minutes of January 18, 2012, and February 29, 2012, as presented.

Motion: Jones Second: Kellerman Vote: Unanimous

Ms. Quigley was not present for the vote.

COMMITTEE MEMBER ARRIVES

Ms. Quigley arrived at the committee meeting at 9:35 a.m.

APPROVE UPDATE ON THE EDUCATIONAL AND OPERATIONAL EFFICIENCY STUDY AND ENHANCEMENTS OF THE CLARK COUNTY SCHOOL DISTRICT

Approval on the District's plan to increase educational and operational efficiency and updates on any current implementation timelines. Discussion may include recommendations by Gibson Consulting Group.

Mr. Weiler provided an update of items raised in the Gibson Study and actions that have been taken as a result of that study and recommendations for the committee's review.

Mr. McIntosh explained that Gibson Consulting Group recommended that the District enhance the transparency of its budget. He provided an update of an online budget tool which reflects the data of the District's budget. He displayed the budget by division and also by functional area. He asked for feedback from the Audit Advisory Committee on this budget tool.

Trustee Cranor thanked the committee members for providing their assistance to staff in developing this budget tool.

Mr. Patin encouraged all committee members to participate in assisting staff.

UPDATE ON THE BUDGET FOR CLARK COUNTY SCHOOL DISTRICT FOR THE 2012 – 2013 FISCAL YEAR

Presentation of information and discussion regarding an update on the District's budget.

Mr. McIntosh provided a final budget presentation that was previously provided to the Board of School Trustees. The presentation included the Timeline; Budget Shortfall; Property Tax Revenues; Salaries, Benefits, and Staffing; Relief for Overcrowded Schools; Final Budget Summary; and Fund Balance.

Mr. Patin asked if the District anticipates any future significant reductions in staffing related to finance, accounting, or financial reporting that would affect the Comprehensive Annual Financial Report (CAFR), financial reporting, or accounting.

Mr. McIntosh responded that no further reductions in staffing are anticipated at this time.

APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT

Approval on work performed by the Clark County School District Internal Audit Department, results of the quality assurance review and on budget and staffing levels for the current and upcoming fiscal years.

Ms. Scott provided a summary update of the Audit Plan for Fiscal Year 2012 (FY12).

Mr. Patin asked for a brief description of the Internal Audit Department's plans and the outcomes.

APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT (continued)

Ms. Scott stated that of the department audits that were on the Audit Plan for FY12, the only one that was completed was for Risk Management. She said that staff aims to complete 100 school audits but is behind on that goal with losing one intern position and one full audit position.

Ms. Quigley asked how the ballot for the Capital Improvement Program (CIP) passing or not passing would affect staffing in the Internal Audit Department.

Ms. Scott said that would only affect the two bond-funded positions, which could be maintained if the initiative passes.

Mr. Weiler said that if the initiative does not pass, the amount of funding and the number of projects would continue to decline, and the District may have to continue ramping down on staffing.

Ms. Scott expressed concern with a reduced level of monitoring that a reduction in auditing staff might cause.

Mr. Patin commented that the Internal Audit Department has had a quality assurance review conducted and was found to generally conform to the standards set forth by the Institute of Internal Auditors (IIA).

Ms. Scott stated that every five years the Internal Audit Department is required to undergo an external quality assurance review, which was conducted by Experis Finance, in order to claim that they audit to the standards of the IIA. She said that CCSD did achieve the highest rating, and she shared a brief description of the findings of Experis Finance.

APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Approval regarding timing, status, issues and results of the external audit of the Clark County School District for the fiscal year ended June 30, 2012.

Mr. Rushin stated that the interim field work began on May 29th and concluded on June 8th, and auditors conducted internal control testing over cash disbursements and payroll; that there were no exceptions noted for the cash disbursements; and that the testing over payroll is ongoing and should be concluded this week and has no exceptions thus far. He said they have completed their planning of the single audit for the compliance of federal programs, and five Type A programs with expenditures of more than \$3 million have been identified to be audited this year. He said that work will begin this month and then work on the Type B programs can begin. He said they are anticipating that there could be two or three Type B programs identified as high risk due to American Recovery and Reinvestment Act (ARRA) funding.

Mr. Patin asked which of these programs are recurring from prior years.

APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (continued)

Mr. Rushin said the Title I Cluster program was audited last year as a major program, and there was a finding related to reporting; and the Title I School Improvement Grant program was audited last year as a Type B program but needed to be included as high risk because it contains over 20 percent of ARRA funding.

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 briefly explained the concept of the fraud triangle, stating that the three elements that give rise to fraud are pressures, opportunity, and rationalization.

Ms. Scott said that all employees are provided with an "Employees Right to Know" booklet annually and are required to provide their signature indicating that they have received the information. She said the booklet contains a section which talks about the reporting of improper District action and a section that speaks to controls and internal procedures in place to detect fraud or misuse within the organization and informs employees of what they should do. She said the booklet also refers to District Policy 4390. She said that in addition to that information provided to employees, the Internal Audit Department provides training that arms employees with red flags to look for to help them detect and prevent fraud.

Mr. Patin asked if there were areas that might be at more risk for fraud than others.

Ms. Scott responded that the schools are at higher risk simply because of the amount of cash that is accessible there.

Mr. Weiler agreed that fraud is most prevalent at the school level since the District, as a whole, does not typically receive large amounts of cash.

Mr. Kellerman asked how often the District inventories its electronic and similar equipment.

Mr. McIntosh explained the District's inventory tracking system.

Ms. Miramontes said that the external auditors look at fraud from the operational standpoint as well as from the standpoint of a financial statement reporting level, such as management's ability to override or manipulate controls in order to receive more funding. She said on the operational side, they consider how employees, as well as others, might commit fraud. She said that another area they look at is federal funding, such as the organization's grant application process or how the organization is allocating and spending the funds.

APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2012-2013 FISCAL YEAR

Approval regarding Clark County School District Internal Audit Department's assessment of risk for the fiscal year 2012-2013, including but not limited to, the general fund and CIP.

Ms. Scott went over the Audit Universe with Risk Rankings for the General Fund and for the CIP as outlined in Reference 2.07.

APPROVE REVIEW OF THE 2012-2013 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 2012-2013 fiscal year and the rolling audit plan, as recommended in Reference 2.08.

Ms. Scott provided an update of the Audit Plan for Fiscal Year 2013 (FY2013) as outlined in Reference 2.08.

Mr. Kellerman asked for an explanation of 67 percent audit time and 33 percent non-audit time.

Ms. Scott explained that the 67 percent is direct audit time, the time that staff anticipates being directly attributable to audit projects, and the remaining time is non-audit time due to a combination of sick leave, vacation leave, holidays, and various administrative duties. She stated that the actual direct audit time this year was closer to 73 percent.

Motion to accept.

Motion: Jones Second: Rogers Vote: Unanimous

APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT AUDIT COMMITTEE BYLAWS AND CALENDAR

Approval regarding the review of bylaws of the Clark County School District Audit Advisory Committee.

Mr. Patin said the purpose of this agenda item is to encourage review and discussion of any concerns or suggestions committee members may have. He said there would be a full work session at a later time.

APPROVE ELECTION OF CHAIRPERSON

Approval on the election of a Chairperson for the Clark County School District Board of Trustees Audit Advisory Committee for the 2012-2013 fiscal year.

Ms. Quigley nominated Mr. Patin to serve as Chairman of the Audit Advisory Committee.

Mr. Kellerman seconded that nomination.

APPROVE ELECTION OF CHAIRPERSON (continued)

Motion to close nominations.

Motion: Jones Second: Rogers Vote: Unanimous

Vote for Mr. Patin to serve as Chairman of the Audit Advisory Committee for the upcoming fiscal year was unanimous.

FUTURE MEETING PLANNING

Motion to hold the next Audit Advisory Committee meeting on Wednesday, September 26, 2012, at 9:30 a.m. in Room 466 of the CCSD Administrative Center.

Motion: Kellerman Second: Rogers Vote: Unanimous

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

Mr. Patin stated that the agenda for the next committee meeting would include updates on the Audit Department and the budget dashboard.

Trustee Cranor suggested that each member of the committee who assists staff with the dashboard be prepared to report to the full committee at their next meeting for purposes of transparency.

Mr. Patin added that he would encourage committee members to refrain from discussing their findings with other committee members and wait to share that information until the committee meeting.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 10:42 a.m.

Motion: Jones Second: Quigley Vote: Unanimous