

MINUTES  
CLARK COUNTY SCHOOL DISTRICT  
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES  
ADMINISTRATIVE CENTER, ROOM 446  
5100 W. SAHARA AVENUE, LAS VEGAS, NV 89146

AUDIT COMMITTEE

Tuesday, September 16, 2008

1:00 p.m.

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Roll Call: Members Present

Joe R. Saucedo, Jr., Chairperson  
Craig Bilotta, Member  
Erlinda B. Penaflor, Member  
Warren Kim, Member  
Donald R. Layton, Member  
Sheila Moulton, Board of School Trustee, Liaison

Dr. Walt Rulffes, Superintendent of Schools

Also present were: Mark Wood, County Counsel, District Attorney's Office; Bill Hoffman, General Counsel, Legal Department; Jeff Weiler, Chief Financial Officer, Finance and Operations Division; Dr. Craig Kadlub, Chief of Staff, Office of the Chief of Staff; Jim McIntosh, Deputy Chief Financial Officer, Accounting Department, Finance and Operations Division; Monica Robles, Director, Internal Audit Department, Office of the Chief of Staff; Elizabeth Carrero, Secretary to the Superintendent, Office of the Superintendent; Dr. Jim Bailey, Audit Committee Consultant; Tami Miramontes, Tami Miramontes, Managing Shareholder, Kafoury, Armstrong & Co.; Michael Biel, Senior Audit Manager, Kafoury, Armstrong & Co.; Cindy Krohn, Executive Assistant, Board Office; Lisa Chrapcynski, Administrative Secretary II, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

**ADOPT AGENDA**

Mr. Saucedo explained the objectives of the items on the agenda.

There was no objection to the agenda as presented.

**APPROVAL OF THE MINUTES**

*Approval of minutes from the meeting of June 20, 2008, as recommended.*

Referring to Page 2, Mr. Saucedo indicated that he wanted his question changed to, "How soon after the fiscal year ends is the auditors' report required?" He followed up with the request made by Mr. Layton for a list of contacts as stated on Page 4.

*Motion to approve the minutes as corrected.*

*Motion: Layton Second: Bilotta Vote: Unanimous*

09-16-08 Audit Committee

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## **EXTERNAL AUDIT PROCESS**

Discussion regarding the process of conducting the 2008 audit of the Clark County School District.

Ms. Miramontes and Mr. Biel explained the auditing process, including the audit status, the responsibility of the auditors, and the timeline for the auditors' report.

Mr. Saucedo asked what department the external auditors communicate with during their day-to-day processes and field work.

Mr. Biel answered they communicate directly with the accounting department.

Mr. Saucedo asked which department has the contract with the external auditors.

Mr. Biel answered the accounting department.

Mr. Saucedo asked what role the CCSD internal auditors play in the external auditors' process.

Mr. Biel stated the internal auditors provide information, assistance, and collaboration to the external auditors with regard to procedures and risk assessment.

Mr. Saucedo inquired about the number of reports that would be coming forth.

Ms. Miramontes explained that there are three reports issued that are bound in the financial statements, one being a report on the financial statements themselves; and that in the compliance section, there is a report on internal controls and compliance, and a report on major programs on a single audit. She stated the last two reports would include anything that is considered a significant deficiency or material weakness. She explained that a separate management letter would be issued for any items that need attention but did not reach the level of being a significant deficiency or material weakness. She mentioned that the Board's Governance Policies are also looked at, and a separate report is issued for that area.

Mr. Saucedo asked when the auditors' report must be submitted according to state law.

Ms. Miramontes answered that the report must be presented to the Board, likely through a meeting with the Board president, by October 31, 2008, there is a full Board presentation in November at which the Board approves the report, and the Board then has until the end of November to submit the report to the Nevada Department of Taxation.

Mr. Saucedo inquired about a timeline to allow the Audit Committee to review the report and give a recommendation to the full Board.

### **EXTERNAL AUDIT PROCESS (continued)**

Mrs. Moulton stated she would expect that the Audit Committee would need to have another meeting in the first part of November, and that the Audit Committee would receive the auditors' report and information before the Board of Trustees to be able to review it.

Ms. Miramontes suggested that the external auditors could meet with the Audit Committee in conjunction with the Board president to allow the Audit Committee time to review the report.

Mr. Saucedo requested that Board staff coordinate that meeting.

Dr. Bailey recommended that the Audit Committee review the report at least one week before the Board meeting in November.

Mr. Saucedo stated he would like to review the report as soon as possible. He asked if the Audit Committee needed to be present for the Board to be in acceptance of the report.

Mrs. Moulton responded that the Board asks that the Audit Committee meet with the full Board at least once per year, and she believed that that particular meeting would be the most advantageous.

Ms. Miramontes added that if there were any significant findings, the auditors' would like to be able to communicate with Mr. Saucedo and have him inform the full Audit Committee.

### **REQUEST FOR PROPOSAL (RFP) PROCESS**

Presentation and discussion regarding the Clark County School District Request for Proposal (RFP) process concerning the time-line of obtaining an independent auditor, as recommended in Reference 3.03.

Mr. Wieler presented the audit selection process, including tentative timelines, to the Audit Committee, as outlined in Reference 3.03.

Mr. Layton asked how firms are selected to receive the information.

Mr. Weiler explained the process of selection. He stated larger firms tend not to bid on these types of audits.

Mr. McIntosh offered in the past the district has contacted the Chamber of Commerce in seeking firms. He stated this year the district may need to search for firms on a national level.

Mr. Saucedo asked if the RFP was a five-year contract or a contract with multiple one-year renewable terms.

Mr. McIntosh stated it was a five-year contract with a renewal at the end of each year.

## **REQUEST FOR PROPOSAL (RFP) PROCESS (continued)**

Mr. Bilotta asked who had the contract prior to Kafoury, Armstrong & Co.

Mr. McIntosh responded that Kafoury, Armstrong & Co. has had the contract for the past 10 years.

Mr. Saucedo asked if there was some type of evaluation criteria built into the RFP for evaluating the firms.

Mr. Weiler stated there was.

Mr. Saucedo requested to have an Audit Committee member be part of the team as a nonvoting member.

Dr. Bailey commented that if the district chooses to retain the current audit firm, companies are required to change the lead audit partner.

Mr. Bilotta asked if they had the same audit partner for three years or more.

Mr. McIntosh stated Ms. Miramontes had been the audit partner for the past two years only.

## **OPEN MEETING LAW REVIEW**

Presentation and discussion regarding the Nevada Open Meeting Law by Mark Wood, County Counsel.

Mr. Wood gave an overview of the Open Meeting Law (OML). He focused on the following points that applied to the Audit Committee meetings: all meetings must be held as open meetings and require an agenda which must be noticed to the public; the importance of following the agenda closely; that the issues discussed in the meetings are privileged, and participants cannot be held civilly liable; that the committee must be careful about any private or personal discussions regarding details of issues before the Audit Committee thereby operating outside of an open meeting; that it is acceptable to receive briefings from staff as long as it is not done as a meeting body; and that there are penalties for violating the OML, which he briefly touched on.

Mr. Layton asked who has responsibility for making sure the OML is being followed.

Mr. Wood stated both the chairperson and counsel could be responsible for that but invited all committee members to alert participants if they see that a discussion has gone off the agenda.

Mr. Saucedo asked about executive session, referring to the Statements on Auditing Standards, a publication containing generally accepted auditing standards. He asked if it would be allowed for members of the Audit Committee to meet with the auditors out of the public meeting as an executive session.

## **OPEN MEETING LAW REVIEW (continued)**

Mr. Wood stated he would have to look more closely at that and report back to the Audit Committee.

Mr. Layton stated the OML would likely trump the rules referred to in Statements on Auditing Standards.

Mrs. Moulton shared that there had been a ruling that the Board of Trustees is no longer able to evaluate the Superintendent in closed session.

## **INTERNAL AUDIT PRESENTATION**

Presentation and discussion regarding the organizational structure and procedures used by the Clark County School District's Internal Audit Department, as recommended in Reference 3.05.

Ms. Robles gave a presentation which included the Internal Audit (IA) charter, authority, purpose; reporting line and department structure, IA mission, department staffing and budget, IA methodology for developing the annual auditing plan (AAP); audit reporting process and distribution; audit follow-ups; areas not covered in the audit; and the 2008-2009 AAP.

Mr. Layton inquired about the certification of the audit staff.

Ms. Robles clarified that two staff members are currently working toward their certification.

Ms. Penaflor asked if auditors conduct audits only within their fields of expertise.

Ms. Robles stated that if an auditor has expertise in a specific field, she would definitely choose that auditor for a particular assignment that matches their expertise. She further explained that as a result of the MGT of America, Inc. audit recommendation, a practice has been implemented whereby an internal auditor is assigned to a construction audit and based on the number of hours worked on that audit, the construction auditor then works on general fund audits.

Mr. Layton asked Ms. Robles to describe the internal auditors' relationship with the external auditors.

Ms. Robles explained that annually the external auditors review the internal auditors' work and have asked for internal audits for what the external auditors felt were areas of risk. She stated the internal auditors have also asked for the external auditors' input in certain areas, such as the review of a program involving instruction reimbursement cards given to teachers.

Mr. Layton asked if schools have written procedures outlining how funds are handled.

Ms. Robles answered in addition to a CCSD regulation, tools that are available for use are a banking manual, and a banking help desk that assists in banking software.

## **INTERNAL AUDIT PRESENTATION (continued)**

Mr. Bilotta asked if there were any specific recommendations in terms of the scientific process.

Ms. Robles stated that while there were no specific recommendations, there are particular processes for risk assessments, and the external auditors' concern was that the process was not being carried out to the extent that it could be.

Mr. Saucedo asked how many schools are audited.

Mr. Wieler answered there were approximately 347 schools.

Mr. Saucedo asked about the bond for the construction of new schools.

Mr. Wieler stated the district recently recommended postponing that bond. He explained the capital program would continue with funding from proceeds from the property taxes, a portion of room tax, and real property transfer tax.

Mr. Saucedo asked what the amount of cost savings and cost recovery is for the auditors.

Ms. Robles stated that this year \$120,000 was noted for phase one only on a recent project so the potential for cost recovery is much higher.

Mr. Saucedo asked if consideration was currently being given to outsourcing any audits to outside firms.

Ms. Robles answered that was not a consideration at this time.

Mrs. Moulton stated there are other oversight mechanisms in place, such as the Bond Oversight Committee, the Senate Bill (SB) 353 Committee that meets with the Board semiannually, Jefferson Wells, and Change Orders that the Board receives.

Mr. Saucedo requested that the Audit Committee be included in the distribution of quarterly status reports, the department audits, and whichever reports of significant information are provided to the Chief of Staff.

## **PUBLIC HEARINGS**

None.

## **APPROVE AGENDA PLANNING AND FUTURE MEETINGS**

Approval of future agenda items and meetings.

Mr. Saucedo stated the Audit Committee would meet in October, and he would coordinate with the Board president to schedule a meeting as soon as possible after October 10, 2008, to review the auditors' report.

**ADJOURN:** 2:24 p.m.

*Motion: Bilotta    Second: Layton    Vote: Unanimous*