

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
EDWARD A. GREER EDUCATION CENTER, BOARD ROOM
2832 E. FLAMINGO ROAD, LAS VEGAS, NV 89121

AUDIT COMMITTEE

Wednesday, November 5, 2008

9:04 a.m.

Roll Call: Audit Committee Members Present Member Absent
 Joe R. Saucedo, Jr., Chairperson Warren Kim, Member
 Craig Bilotta, Member
 Erlinda B. Penaflor, Member
 Donald R. Layton, Member

Dr. Walt Rulffes, Superintendent of Schools

Also present were: Mary Beth Scow, CCSD Board President; Terri Janison, CCSD Board Vice President; Carolyn Edwards, CCSD Board Clerk; Larry P. Mason, CCSD Board Member; Sheila Moulton, CCSD Board Member; Ruth L. Johnson, CCSD Board Member; Bill Hoffman, General Counsel, Legal Department; Lauren Kohut-Rost, Deputy Superintendent, Instruction Unit; Jeff Weiler, Chief Financial Officer, Finance and Operations Division; Jim McIntosh, Deputy Chief Financial Officer, Accounting Department, Finance and Operations Division; Monica Robles, Director, Internal Audit Department; Elizabeth Carrero, Secretary to the Superintendent, Office of the Superintendent; 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

Adopt agenda.

Motion: Edwards Second: Moulton Vote: Unanimous

Mrs. Johnson was not present for the vote.

Adopt Audit Committee agenda.

Motion: Bilotta Second: Layton Vote: Unanimous

PUBLIC HEARINGS/RESPONSE TO PUBLIC COMMENT

Architect Selection Process – Ken Small

Mr. Small followed up on the discussion held at the October 23, 2008, Board meeting regarding the Jefferson Wells audit findings pertaining to the CCSD architect selection process. He stated he did not believe the Board and the Bond Oversight Committee (BOC) were receiving complete, accurate information.

Audit Committee 11-05-08

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BOARD MEMBER ARRIVES

Mrs. Johnson arrived at the Board meeting at 9:09 a.m.

PUBLIC HEARINGS/RESPONSE TO PUBLIC COMMENT (continued)

Mr. Small pointed out what he considered discrepancies and deficiencies in the architect selection process and in the actions taken following the complaints brought forth regarding the process. He asked Board members to speak with him regarding employing Policy Governance® to improve the selection process.

Records – Tad Greener

Mr. Greener spoke about his inability to remedy a problem despite his repeated efforts to contact the appropriate responsible administrator.

Dr. Kohut-Rost agreed to speak with Mr. Greener.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Presentation and discussion of the annual Independent Auditors' Report for the Fiscal Year Ended June 30, 2008, by representatives from Kafoury, Armstrong & Co., as recommended in Reference 3.01

Ms. Miramontes presented the three auditors' reports contained in the Comprehensive Annual Financial Report (CAFR) that relate to the audit of the financial statements and federal monies, compliance with laws and regulations and internal control over financial reporting, and select federal programs.

Mrs. Janison asked when the district last had an overall examination as opposed to a review.

Ms. Miramontes stated what was presented here is what is required by the Nevada Revised Statutes (NRS).

Mrs. Janison asked Dr. Rulffes when the district last had a comprehensive examination of the district.

Dr. Rulffes stated the MGT Audit was the last performance audit conducted on overall district operations.

Ms. Miramontes stated this audit is a comprehensive financial audit, and that the report on fund balances presented here is what is required by the state.

Trustee Edwards asked, referring to page 17, where note 11 was located.

Ms. Miramontes guided Trustee Edwards to page 59.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mr. Saucedo asked who the cognizant agency for the district was.

Ms. Miramontes responded the cognizant agency was the Department of Education.

Mr. Saucedo asked if there were any high-risk, type B programs?

Mr. Biel stated the only high-risk, type B program was the 21st Century Community Learning Centers.

Mrs. Moulton asked for an explanation of type A and type B programs.

Mr. Saucedo answered programs qualify for a particular type based on their financial threshold.

Trustee Edwards inquired about how the determination is made of whether or not a program is high risk.

Ms. Miramontes stated there is a long list of criteria that is considered. She stated, for example, if a program has not been audited in the past three years, that program is automatically high risk; or if there was an audit, but there were no problems, then the auditors look at whether the program is new to the district or if it is the last year for the program, among other factors.

Mr. Biel continued with the presentation, touching on management comments and data risk rankings from the prior year. He went on to discuss findings and recommendations for the current year.

Trustee Edwards commented that the number of schools with clean audit reports decreased from last year, but there was an improvement on the number of schools classified as high risk and Priority 1 (P1). She asked if issues are being resolved.

Mr. Biel explained there are some remaining issues, but one recommendation was to establish a certification process for banking starting at the elementary school level.

Trustee Edwards asked why implementation of this process has taken a year.

Dr. Rulfes asked Ms. Robles to address that issue.

Ms. Robles explained implementation of this process involved a team of people from several departments involved in this project as well as their regular duties. She said in addition this, obtaining approval from the union took some time because this involved a job description modification. She stated that before the certification process recommendation, additional training to administrators for oversight and additional training for bankers was attempted this year.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Trustee Edwards asked, given how frequently employees move, how quickly would a person be able to be trained.

Ms. Robles stated their standard recommendation to all schools is to have a person trained as a backup at all times.

Trustee Edwards asked how soon a person would be able to be trained if the need presented itself.

Dr. Rulfes stated there is some training available upon demand.

Ms. Robles explained the banking helpdesk office conducts one-on-one training in addition to classes targeted to banking, and the Business Services Specialists (BSS) in every region are available to assist in any business process at the schools in their region.

Dr. Kohut-Rost added each region does have a BSS that provides immediate direct support to schools where there is a need.

Mrs. Moulton asked for an explanation of unclean audits.

Ms. Robles stated there are four categories: clean, no reportable issues; at risk, a school that has so many deficiencies that assurance cannot be provided; Priority 1 (P1), may have some deficiencies in some areas that need to be revisited; and normal, normal compliance issues.

Mrs. Moulton asked if there was any evaluation of the principals as a part of this process.

Dr. Rulfes answered that previously Dr. Kohut-Rost spoke about the need to address the issue of recurrences of incidents as addressed by Ms. Robles in principal evaluations.

Dr. Kohut-Rost stated each assistant region superintendent or region superintendent receives a copy of the report that the Internal Audit Department provides to the principal. She stated that as a former region superintendent, she would review that report with the principal as part of the supervision and evaluation process to ensure any issues of concern were being addressed.

Mr. Weiler stated the concept of a clean audit is comparable to receiving a perfect score and is an extremely high standard to expect all schools to receive a clean audit.

Motion to accept the auditors' report and recommendations for fiscal year ended June 2008 and the auditors' statements.

Motion: Johnson Second: Moulton

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mr. Layton stated he believed the Board's concern was justified. While he noted the audit did not reveal any significant problems, he encouraged the Board to follow through.

Mrs. Moulton asked the Audit Committee members for their opinion.

Mr. Saucedo stated he believed the Board was on the right track, and he would be interested to see which areas are having the predominant problems. He added there needs to be accountability at the local level.

Mr. Layton stated he would like to see the types of errors identified by the auditors and the number of errors in the particular schools to see if there is a pattern.

Mr. Bilotta requested a definition of the ratings used by the auditors.

Ms. Penaflor asked how the 100 schools that were audited were selected.

Dr. Rulfes explained that every school is not audited every year, and there is a process for determining which schools are audited. He offered to provide the report generated by the Internal Audit Department which shows the frequency of occurrences.

Ms. Robles stated elementary schools are audited every three years, and secondary schools are audited every 18 months.

Ms. Penaflor asked once the schools that have clean audits are dropped from the list, if more schools are added in their place.

Ms. Robles explained that schools are on a rolling schedule. She added that when schools have clean audits, it leaves room for more schools to be audited; and when schools have recurring audits, that leaves less room for other schools to be audited.

Trustee Edwards asked if the motion could exclude schedules 1 through 4. She asked the Audit Committee members for their impressions of how the district is reflected in the auditors' report.

Mr. Layton stated he was impressed in looking at the information presented.

Mr. Saucedo stated the Audit Committee did not have the opportunity to review the report to the extent he had hoped because they did not receive the report far enough in advance. He stated he believed the district had a good product.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mr. Weiler explained the process, including the timeline, and explained why it would be difficult to present an auditors' financial report any earlier.

Ms. Miramontes stated she believed a draft copy of the auditors' report could be provided earlier.

Mrs. Janison agreed that the Audit Committee should have been given the opportunity to review the report in more detail in order to be able to give the trustees their expert opinion.

Mrs. Moulton suggested that this report should be placed on the Audit Committee's next agenda for discussion, which would allow them time to adequately review the report. She offered to bring any questions or concerns back to the full Board after the Audit Committee meeting.

Mrs. Johnson clarified that the motion was for state requirements only.

Vote on Mrs. Johnson's motion was unanimous.

Ms. Miramontes continued with the auditors' report, covering governance policies EL-5: Financial Planning and Budgeting, EL-6: Financial Condition and Activities, EL-8: Asset Protection, and EL-9: Compensation and Benefits.

Mrs. Scow mentioned that she previously asked Ms. Miramontes if every area covered in the audit is also addressed in the Board's policies.

Ms. Miramontes commented that the only area not covered in the Board's policies that is focused on during the audit process is investments.

Mrs. Scow suggested looking at adding investments to the Executive Limitations.

Mrs. Johnson asked if there is ever a review conducted of the institutions that help the district handle their investments.

Mr. Weiler answered there are two components of the district's investment program, one, investments made through the state's investment pool; and two, direct investments made by the district of only highly rated investments which are secure.

Mr. McIntosh stated the district only invests in federal agencies which have an AAA rating or better, which are rated by nationally recognized credit rating agencies. He added the district has an investment committee and a cash and investment manager who provides information on a monthly basis.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mrs. Johnson asked if information such as how the district looks at standards and how often that is reviewed is reported in the monitoring reports.

Mr. Weiler stated he did not believe that information was in the monitoring reports.

Mrs. Johnson suggested placing that information in a public report would augment the EL-8: Asset Protection report and would give the public some confidence.

Dr. Rulfes offered to provide the Board with a copy of the investment guidelines and the Board-adopted investment policy.

APPROVE INDEPENDENT AUDITORS' NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008, AND INDEPENDENT AUDITORS' STATEMENTS ON NEVADA REVISED STATUTES COMPLIANCE

Approval to accept the district's responses to the independent auditors' recommendations for the fiscal year ended June 30, 2008, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and approval to accept the independent auditors' statements on NRS compliance for the fiscal year ended June 30, 2008, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245, as recommended in Reference 3.02.

This item was taken in conjunction with Item 3.01.

AUDIT COMMITTEE ADJOURNMENT: 10:37 a.m.

Motion: Layton Second: Bilotta Vote: Unanimous