

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

Wednesday, January 14, 2015

9:30 a.m.

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

Pat Skorkowsky, Superintendent of Schools

Also present were: Linda E. Young, Trustee; Jim McIntosh, Interim Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Nikki Thorn, Deputy Chief Financial Officer, Business and Finance Division; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

PUBLIC COMMENT PERIOD

None.

ADOPT AGENDA

Adopt agenda, noting reference material provided for Item 2.03, and noting reference material for Item 2.03 can be used for Item 2.02.

Motion: Boyle Second: Mook Vote: Unanimous

ANNOUNCEMENT

Trustee Young expressed her gratitude to the Committee for their support to the Board in the work they do, and she introduced Trustee Child as the Board of School Trustee liaison to the Audit Advisory Committee. She expressed appreciation to Trustee Cranor for her leadership as the past Board liaison over the last several years.

Trustee Child thanked the Audit Advisory Committee members for their volunteerism as they serve on this committee.

APPROVE MINUTES

Approval of minutes from the meeting of October 23, 2014, and November 14, 2014.

Motion: Boyle Second: Mook Vote: Unanimous

APPROVE CLARK COUNTY SCHOOL DISTRICT AUDIT ADVISORY COMMITTEE SELF-EVALUATION

Approval regarding an evaluation by the Committee of its performance and efficiency including input from management, internal audit, external audit, and the public.

Mr. McIntosh expressed appreciation to the Committee for their work and for the oversight they provide for the Internal Audit Department. He said the District has been working with their "Executive Advisory Group," comprised of members of Chambers of Commerce, businessmen and businesswomen, members of higher education institutes, and former superintendents. He said three committees were formed from this group to look at the District's budget through review of an instructional program, a non-instructional department, and the District's return on investment. He said out of the first phase of this study, staff has developed templates for programs that outline the expectations, costs, and expected or anticipated return for the particular program.

Mr. McIntosh said the group has also looked at a non-instructional department and when it would make sense for the District to review the processes, procedures, and the value that department provides to the District. He said what is important here is the internal Audit Department's role in this process and looking at different areas and auditing different programs. He said staff would bring a presentation to the Committee regarding the group's work.

Mr. Patin said he met with Kim Wooden, Deputy Superintendent, Educational and Operational Excellence Unit, regarding Internal Audit's role in this and stressed that Internal Audit's primary function should not be compromised as they move forward in these new areas.

Ms. Scott expressed appreciation for the Committee's support for the Internal Audit Department, and said she was excited for the new work moving forward.

APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT CONTROL ENVIRONMENT

Approval on the Clark County School District Board of Trustees' Audit Advisory Committee's responsibility to review updates to the control environment including assignment of authority and responsibilities as prescribed by the Bylaws and Calendar of the Committee.

Ms. Thorn presented a review of the CCSD Control Environment. Her presentation included the following topics: School Banking – Components: Risk Assessment, Control Activities, Information and Communication; and School Banking – Additional Internal Controls.

Mr. Patin asked Ms. Scott if the Audit Department has incorporated these additional controls into their procedures and if her staff is noting compliance with these controls.

Ms. Scott said the majority of these items have already been a part of their auditing program, and Internal Audit works very closely with the school banks.

REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT'S PURCHASE CARD PROGRAM

Presentation and discussion regarding the processes, risks and controls related to the Clark County School District's purchase card program including recent control changes and periodic controls testing by internal audit.

Ms. Thorn presented a review of the District's purchasing card program, including Risk Assessment and Control Activities and Work Stream.

Mr. McIntosh offered that while District staff in the central office can see where the purchasing cards are being used, they do not have the ability to see what is being purchased. He said that information is kept locally at the school site, and it is the school administrator's responsibility to ensure that the cards are being used correctly. He said the new process helps staff to be able to review what is being purchased.

Mr. Patin asked what resources are available to audit these programs.

Mr. McIntosh said there are no additional resources or staff, but staff in charge of the purchasing card program in the Audit Department has been asked to provide additional audits in this area.

Mr. Mook asked in terms of the receipt imaging on purchases exceeding \$99.99, if there is an amount at which additional approval is needed.

Mr. McIntosh said the schools are limited on the size of a transaction to \$2,000.00, but no additional approval is needed.

Mr. Patin said he brought this item forward because of publicized events that pointed to control deficiencies within the purchasing card program. He asked if these controls were put in place in an effort to mitigate such circumstances in the future.

Mr. McIntosh said these changes are a direct response to what occurred in the Adult English Language Acquisition Services (AELAS) program to mitigate some of the risks.

Ms. Scott said her department has always tested purchasing card transactions on a sample basis as part of the school audits. She said now staff is able to choose a sample from the receipts and take it to the school and compare it to the hard copy.

Mr. Patin asked if the Internal Audit Department conducts testing of the purchasing card program for departments, and if it is only done when conducting an audit of that department.

Ms. Scott explained that typically that is done when auditing a department. She said in the past a District purchasing card program audit was conducted.

REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT'S PURCHASE CARD PROGRAM

(continued)

Mr. McIntosh said staff has discussed a test of assets that fall under \$5,000.00, whereby they would take an item from a list of those assets and ask the administrator at the school to show the item, and they would also take an item and asked to be shown the serial number for that item in the school's records.

Mr. Patin suggested building that into an upcoming audit plan.

Ms. Scott said she has had discussions about that with staff, and there are some things that would need to be worked out.

Ms. Boyle asked if teaching staff is allowed to take items home.

Ms. Scott said the majority of computers are kept at the school, but there is a procedure for loaning out a computer or other equipment for a specified time period.

Mr. Mook suggested that staff consider including an overall District purchasing card program audit in the regular audit rotation schedule.

APPROVE UPDATE ON RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

Approval regarding the accounting, financial reporting and auditing requirements of recently issued GASB pronouncements including GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27.

Ms. Thorn gave a presentation of GASB 68 – Accounting and Financial Reporting for Pensions as shown in Reference 2.05. Her presentation included the following topics: Statement No. 68, Reporting Standard Changes, Estimated Magnitude, and Potential Concerns.

Mr. Patin said he would be asking the District's external auditor to provide an update on how they plan to address this GASB directive and what the Audit Advisory Committee's involvement would be.

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

Approval regarding the current staffing levels and qualification for the Clark County School District Internal Audit Department.

Ms. Scott said there are a total of 10 staff members in her department; eight are staff auditors, and two are University of Nevada, Las Vegas (UNLV) student interns who assist with basic elementary school audits. She said the students must be at least junior level students at UNLV and must have a GPA of 3.0 to apply for the position.

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

Ms. Scott said the auditor positions require a minimum of four years' professional auditing experience, and certification is a preference in the hiring process. She said six of the auditors have certifications, and the other two are in the process of obtaining their certifications. She said all of the department's staff members are members of the Institute of Internal Auditors and the Association of Certified Fraud Examiners. She shared that one position was added back to the department, and that person has been selected and will be starting in January.

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 gave the quarterly update on the CCSD Audit Department audit plan for fiscal year 2015 as of December 31, 2014. She noted that the follow-up audits issued were to the Landscaping and Grounds and Environmental Services departments.

Mr. Patin asked about the findings of the bond program audit.

Ms. Scott said there were no significant findings in that audit, and that staff just had minor procedural recommendations.

Mr. Mook asked if Ms. Scott has seen an increase in the amount of time needed for special requests compared to prior years.

Ms. Scott said the time spent here is average, and approximately 20 percent of audit hours are budgeted for the special requests.

Mr. Patin asked where the new auditor's time would be focused.

Ms. Scott said he would initially be trained on school audits.

Ms. Boyle asked if the addition of the full time equivalent (FTE) came out of the Executive Advisory Group.

Ms. Scott said that was a consideration and part of the decision for getting that position added.

Ms. Boyle asked then if some percentage of Internal Audit's budgeted time would be focused on that specific program.

Ms. Scott said that could potentially happen, but she is unsure at this time how that will fit into her budget.

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

Approval regarding an update from District's financial management department on the current and future expected financial conditions, the budget and the District's budget visualization tool known as "Open Book."

Mr. McIntosh said the District filed an amended final budget for the current fiscal year in December. He said the District has also completed its labor negotiations with four of five employee groups, and those changes were included in the Amended Final Budget. He explained that the District will begin work on the budget for the next fiscal year, beginning with the Tentative Budget due on April 15, and negotiations with the labor groups for next year will begin in February. He said to address growth in the District, part of the legislative push will be for changes to the funding formula, the creation of a rainy day fund, and assistance with the District's capital program.

With relation to Open Book, Mr. McIntosh said the visualization tool now includes the Bills Payable Transmittal reports. He announced that Kafoury, Armstrong & Co. has been acquired by Eide Bailly. He said the District has been assured that there would not be any changes to the contract in place, and he said the District will continue working with Eide Bailly.

Mr. Patin said he has received correspondence from Tammy Miramontes confirming that the auditing team, the services they provide, and the quality of those services would not change.

FUTURE MEETING PLANNING

Motion to hold the next Audit Advisory Committee meeting on March 18, 2015, at 9:30 a.m. at the CCSD Administrative Center in room 466.

Motion: Mook Second: Boyle Vote: Unanimous

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

Mr. Patin stated the Committee's next meeting would be focused on the Committee's responsibilities as it relates to the external audit function, and discussions will include reviewing the external auditor's independence and qualifications, auditor rotation, review of the engagement contract, and GASB 68.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 10:45 a.m.

Motion: Boyle Second: Mook Vote: Unanimous