

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

Friday, September 22, 2017

9:35 a.m.

Roll Call: Members Present
 Eric Bashaw, Member
 Jim McIntosh, Member
 Patricia Morris, Member
 Joshua Robinson, Member
 B. Keith Rogers, Member

Pat Skorkowsky, Superintendent of Schools

Also present were: Jason Goudie, Chief Financial Officer, Finance Department, Operational Services Unit; Janette Scott, Director, Internal Audit Department, Ancillary Support; Cindy Krohn, Executive Assistant, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

ADOPT AGENDA

Adopt agenda.

Motion: Rogers Second: Robinson Vote: Unanimous

PUBLIC COMMENT PERIOD

None.

INTRODUCTION

Introduction of committee members and District staff.

Committee members introduced themselves and spoke briefly about their backgrounds.

APPROVE ELECTION OF CHAIRPERSON

Approval on the election of a Chairperson for the Audit Advisory Committee for the 2017-2018 fiscal year.

Motion to elect Ms. Morris to serve as the Audit Advisory Committee Chairperson.

Motion: McIntosh Second: Rogers Vote: Unanimous

APPROVE MINUTES

Approval of minutes from the meeting of January 11, 2017.

Motion: Robinson Second: Rogers Vote: Unanimous

APPROVE REVIEW OF AND RECOMMENDATION OF AMENDMENTS TO THE CLARK COUNTY SCHOOL DISTRICT AUDIT ADVISORY COMMITTEE BYLAWS AND CALENDAR

Approval regarding the review of and recommendation of amendments to the Bylaws and Calendar of the Clark County School District Audit Advisory Committee, as recommended in Reference 3.04. Any changes recommended to the Bylaws and Calendar at this meeting will be brought forward to the Board of School Trustees and will not be implemented unless adopted at a regular meeting of the Board of School Trustees.

Ms. Krohn stated that changes have been made to the Bylaws and Calendar of the Audit Advisory Committee. She said the Board has moved from a Policy Governance® model to a Balanced Governance™ model, and that there would no longer be a Board liaison to the Committee so the language pertaining to that has been removed. She said in addition to that, the Board would like to have the Committee Chairperson report directly to the Board.

Ms. Morris suggested delaying approval of the Bylaws and Calendar, and she asked that the Committee members be provided with changes from the prior Bylaws for review.

Mr. Rogers asked for a timeframe for review.

Ms. Morris said after the Committee receives the Bylaws, a two-week period for review would be appropriate.

FORENSIC AUDIT

Presentation and discussion regarding a forensic audit of the Clark County School District, including but not limited to, the scope of work, the amount time required conducting an audit, and if a Request for Proposal (RFP) would be required.

Mr. Goudie said this item would be discussed at the September 28, 2017, Board meeting. He said he does not believe "forensic audit" is the correct terminology for what is being discussed in this particular instance. He said during the meeting discussion, the Board would be trying to gain an understanding from the Trustees asking for this process of the exact scope and the exact concerns so that staff can then build a response around those factors. He said if the Board deems this appropriate, staff can then determine the scope and once that is known, move forward with the Board and others to develop a plan to identify what firms would be available to perform the needed services and at what cost. He said at that time staff would determine how those services would be paid for.

Ms. Morris asked staff to provide some background regarding the request for this audit.

FORENSIC AUDIT (continued)

Mr. Goudie said given the District's financial challenges in the past and currently, there have been questions regarding management of funds and prioritization of spending, both from within the District and outside of the organization. He said people are questioning how the current budget deficit materialized.

There was some discussion regarding the budget information available for review on Open Book and looking at possible in-house resources to perform the analysis.

Ms. Morris asked if a Committee member should attend the September 28, 2017, Board meeting.

Ms. Scott and Mr. Goudie agreed that it would be helpful for a Committee member to attend the Board meeting.

Mr. Goudie said the District's external auditor would also be present at that meeting to provide insight from a financial audit perspective, as well as a representative from the Superintendent's Budget Task Force.

APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2017-2018 FISCAL YEAR

Approval regarding the Clark County School District Internal Audit Department assessment of risk for the fiscal year 2017-2018, including but not limited to, the general fund and CIP, as recommended in Reference 3.06.

Ms. Scott said she did not take into consideration the change in budgets for services being pushed out to the schools as dictated by the reorganization of the school district, so that was not indicated in Reference 3.06. She said she does not anticipate any significant changes in any of the risk rankings, however, when she does make the corrections.

Ms. Morris asked Ms. Scott to speak to the highest risk areas.

Ms. Scott said the schools are the highest risk area because of the amount of money that flows through the schools on a daily basis.

Mr. McIntosh added that each school has a separate checking account outside of its operational funds.

Motion to approve Internal Audit Department assessment of risk for the fiscal year 2017-2018.

Motion: Rogers Second: Robinson

APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2017-2018 FISCAL YEAR (continued)

Public Hearing

Trustee Chris Garvey expressed concern that principals would delegate that financial responsibility to their office manager. She suggested considering that added risk of those individuals being responsible for large amounts of money.

Ms. Scott said staff is well aware of that and do anticipate making some changes to their school audits. She said the school principals are responsible no matter who is performing the banking duties.

Trustee Child asked if the District employs enough auditors for a school district of this size.

Ms. Scott said with the number of auditors in her department, the Internal Audit Department struggles to keep up with the current audit rotation schedule.

Ms. Morris asked with regard to the reorganization of the District and the schools having more autonomy, how the consultant advised on internal audit in terms of monitoring.

Ms. Scott said she was not aware of that conversation taking place.

Ms. Morris said the Committee would advise the Board to evaluate the use of the Internal Audit Department in the reorganization model and that the evaluation be included in the scope of the audit or analysis of the use of funds, as well as reevaluate resources within the District.

Ms. Morris said an organization chart of the Internal Audit Department and an explanation of what audits those resources are committed to would be helpful in identifying any shortfalls, as well as presenting to the Board the department's staffing levels and qualifications.

Ms. Scott stated that as an item on the Committee's calendar, she discusses her department's staffing levels and qualifications every year. She said presently she has eight general fund auditors, two bond-funded auditors, and two University of Nevada, Las Vegas, (UNLV) student interns. She said the staff consists of Certified Internal Auditors (CIAs), Certified Fraud Examiners (CFEs), and Certified Public Accountants (CPAs). She said two auditors are not certified but have expressed interest in working toward becoming CFEs.

Public Hearing

Trustee Chris Garvey asked that the Committee include in its motion that the Committee member be allowed to provide input at the Board meeting on behalf of the Committee on its view of increasing the Internal Audit Department's resources and then bring forward a firm recommendation at a later date.

Vote on Mr. Rogers' motion was unanimous.

APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2017-2018 FISCAL YEAR (continued)

Motion to allow the Audit Advisory Committee representative present at the September 28, 2017, Board meeting to express to the Board the Committee's concern or request for enhancement of the Internal Audit Department's resources as it pairs up and relates to the consultation for the evaluation of use of funds.

Motion: Robinson Second: Bashaw Vote: Unanimous

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

Approval regarding the review of Clark County School District Regulation 3420, Periodic Audits, as recommended in Reference 3.07. Any changes recommended to Regulation 3420 at this meeting will be brought forward to the Board of School Trustees and will not be implemented unless adopted by the public policy review process at a regular meeting of the Board of School Trustees.

Ms. Scott said Regulation 3420 also serves as the Internal Audit Department's audit charter. She noted that she now reports directly to the Superintendent as opposed to the Chief of Staff as stated in the regulation, so that language should be changed. She also suggested that language that allows her to meet directly with the Superintendent and the Audit Advisory Committee annually should be removed.

Motion to approve District Regulation 3420.

Motion: Robinson Second: Bashaw Vote: Unanimous

APPROVE REVIEW OF THE 2017-2018 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT

Approval on the approval of the proposed audit plan of the Clark County School District Internal Audit Department for the 2017-2018 fiscal year and the rolling audit plan, as recommended in Reference 3.08.

Ms. Scott briefly reviewed the Audit Plan for 2017-2018 and the Rolling Audit Plan.

Motion to approve the Audit Plan.

Motion: Rogers Second: Robinson Vote: Unanimous

FUTURE MEETING PLANNING

Ms. Morris said she would work with Ms. Krohn and provide a selection of dates for the Committee's next meeting via email to the Committee members for scheduling.

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

Ms. Morris said she would like to meet with Mrs. Krohn, evaluate the agenda items that have been provided in the past, and make recommendations for the Committee. She said she would work with Ms. Scott and Mr. Goudie as well.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 10:25 a.m.

Motion: Rogers Second: Robinson Vote: Unanimous