

# Board Special Meeting

## Quarterly Audit Meeting

Tuesday, March 2, 2021 7:00-9:00 am

*Meeting to be held remotely*



### Minutes

#### Call to Order

This meeting was called to order at 7:01 am Director Hersey, Hampson and Rivera-Smith were in attendance.

Chief Financial Officer JoLynn Berge staffed this meeting.

Approval of agenda: Director Hampson moved to approve the agenda Director Rivera-Smith seconded. This motion passed unanimously.

Approval of meeting minutes: Director Hampson moved to approve the December 1, 2020 meeting minutes and Director Rivera-Smith seconded. These minutes were approved unanimously.

#### Internal Audit Update

Internal Audit Update (Medina)

Director of Internal Audit Andrew Medina explained the updates that he would be giving at this meeting. He will be reviewing three completed audits, the status of the Moss Adams Implementation Plan, and an Ethics Office Summary.

Segregation of Duties Follow-up Report – Disbursements (Medina)

Mr. Medina explained that Internal Audit's initial Disbursements audit report dated June 13, 2017, identified a segregation of duties issue. Accounts Payable staff had the ability to input contracts in the District's accounting system and to process payments to contractors. Mr. Medina explained the main risk we want to mitigate is the risk of fraudulent contract payments by ensuring that no single employee can, create a vendor, enter a contract for a vendor, and enter an invoice against a contract. Management's process was reviewed and confirmed that it was adequate since no one employee would be able to perform all 3 incompatible functions. Mr. Medina spoke about management's response to the audit, which is included in the report and states that they will periodically review access, especially when individuals change positions within the department, or when new hires are given access to SAP.

Segregation of Duties Follow-up Report – Human Resources (Medina)

Mr. Medina spoke about how an audit report of Human Resources on September 11, 2012 found that every employee in the Human Resources Department and the Payroll Department had system access that allowed them to change employee payrates in SAP. He noted that a follow-up audit was done in 2016, which identified improvement but the need for additional segregation of duties. The current report recommends that the payroll and human resource functions be completely segregated so that only employees of the Human Resources Department can make changes to payrate information, and only employees of the Payroll Department can process paychecks. The report also recommends compensating controls if complete segregation is not possible. Management's response is included in the report and states that they will work with DoTS to find solutions.

Director Hampson asked when management response is presented, she would like to see what is going to be done. Mr. Medina spoke about how the Internal Audit Board Procedure allows management 30 days to draft a detailed corrective action plan.

#### Status of Prior Capital Findings and Recommendations Follow-up Report (Fry)

Internal Auditor Kimberly Fry spoke about nine area recommendations that had been given within the capital audit plan page 17.

Director Rivera-Smith asked estimated cost for three-year certification. Ms. Fry explained there is no cost for this certification but they would need to do an application process and go before the board.

#### Moss Adams Implementation Plan Update (Medina)

Mr. Medina gave a progress report on the implementation of the Moss Adams recommendations from their report on the Internal Audit Function. He explained a current contract is in place to focus mainly on infrastructure items, such as, updating the Policy and Procedure, training for District staff and Directors on the purpose and role of the Internal Audit Department to name a few. Mr. Medina stated that Moss Adams is scheduled to share draft Policy and Procedure language at the March 15 monthly Audit & Finance meeting. Mr. Medina explained one item is complete, 15 are in-progress, and 3 have not been started.

#### Ethics Office Update (Medina)

Mr. Medina explained that based on a Moss Adams recommendation, Internal Audit has begun to provide a quarterly update on the types of contacts received by the Ethics Office. Mr. Medina reminded the committee and public listening that the main responsibilities of the Ethics Office are to items related to Board Policy 5251 – Ethics and whistleblower retaliation. Mr. Medina reviewed the contacts received by the Ethics Office from December 1st, 2020 through February 24, 2021. Since December, the Ethics Office has received 33 contacts. Of the 33 52% are other - Items not related to ethics or complaints, 9% are miscellaneous complaints, 9% are exploring available options, 30% are advisory opinions. Of the 33 contacts received, only three were complaints.

#### **Audit Response**

##### 1. Audit Response (Boulmetis)

Audit Response Manager Annette Boulmetis spoke about the quarterly audit tracking update having only Human Resources (HR) items to update today.

##### 2. Human Resources (Redick, Codd)

Chief Human Resources Officer Clover Codd spoke about how HR has been working with local 609 to move forward with Grounds item and at the June quarterly audit meeting this should be complete.

Director of Human Resources Shelia Redick gave an update on the remaining open HR items. They will be brought back to the June 2021 quarterly audit.

Adjourn 7:59 am

*This meeting was held remotely per the Governor's proclamations prohibiting public agencies from conducting meetings subject to the Open Public Meetings Act in-person to curtail the spread of COVID-19. Public access was provided remotely online and by teleconference.*