

Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3rd Avenue South, Seattle, WA 98124



Quarterly Audit Meeting Minutes Tuesday, December 13, 2016 4:30 – 6:30 pm

Call to Order

Director Peters called the meeting to order at 4:30 pm.

School Board members present were Directors Peters, Blanford and Patu. Director Harris arrived at 4:32.

Staff member present was Assistant Superintendent of Business & Finance JoLynn Berge.

Approval of Agenda

Assistant Superintendent of Business & Finance JoLynn Berge requested to change the agenda order to move up Business & Finance update on Audit Response Updates to first.

Director Blanford moved to approve the amended agenda Director Peters seconded. The agenda was unanimously approved.

Director Blanford moved to approve the September 13, 2016 meeting minutes. Director Patu seconded. The minutes were unanimously approved.

Audit Response Updates

Business & Finance (Berge/ Murphy/ Navarro/ Fleming)

Audit Response Manager Annette Boulmetis spoke about the completion of the Alternative Learning Experience (ALE) audit. The resolution was satisfactory; the liability was reduced from over \$400k to approximately \$8.5k. Assistant Superintendent of Business & Finance JoLynn Berge confirmed the Directors had been informed about the completion at the September 3rd Budget Meeting. Ms. Boulmetis spoke about completing the financial audit of the Nathan Hale radio station, which will qualify KNHC to receive \$100,000 in additional funding.

Director Blanford asked if that was a grant that is contingent on completion of an audit. Ms. Boulmetis confirmed that was correct.

Director Peters asked if requiring an audit was typical. Ms. Berge confirmed it was for Federal Communications Commission (FCC) grants.

Ms. Berge confirmed Business & Finance is on track with the twelve items currently being tracked. Ms. Berge spoke about asking for an extension for item number 12, which is the change to the Superintendent, procedure to update the language on when purchases need to be aggregated. Ms. Berge spoke about the integration of vendor pay and payroll databases. Currently it is in beta testing, and additional testing may be needed.

Director Blanford asked why did this rise to a level of an audit. Director Internal Audit & Ethics Officer Andrew Medina spoke about the issue being around segregation of duties. Ms. Berge confirmed that from now on the employee information would migrate directly from a payroll database to Accounts Payable database for processing.

Director Peters asked if the change to the Superintendent procedure meant the current procedure will dictate how the process works. Ms. Berge confirmed it will and currently Procurement department is monitoring and will question any purchases that may need to be

aggregated. She explained that SP6220 requires clarification to close a loophole meant for construction contracts, which is not being used properly.

Director Peters asked if everyone involved in the process is aware they need to look out for certain things. Ms. Berge confirmed Purchasing, Accounting and Contract departments know and anyone else that has bigger purchases are aware of this change.

Director Peters asked if this change was due to the Dell computer purchases. Ms. Berge spoke about how this issue was in process prior to the Dell computer purchases.

Ms. Berge spoke about the inventory tracking system, which is how fixed assets are monitored.

A Request for Proposal (RFP) for an asset tracking management system is in process. Ms.

Berge also confirmed the Point of Sale system RFP under the leadership of Accounting Services and Department of Technology Systems (DoTS) is progressing. Ms. Berge explained all additional items have been closed and met the requirements.

Director Peters asked who decides what positions will be funded by what budget. Ms. Berge explained the Budget department works with the individual department to decide where funding should appropriately come from.

Internal Audit Updates

1. Internal Audit Update (Medina)

- Change to Internal Audit Annual Plan

Director of Internal Audit & Ethics Officer Andrew Medina spoke about a request to amend the Internal Audit Plan to add an audit related to employee leave time. Mr. Medina explained the Subfinder system does not talk to the Employee Self Service system so when an employee requested a sub through Subfinder, they were also supposed to record their leave in Employee Self Service. The main concern is that the leave time is not being recorded. Mr. Medina also discussed that the audit will include an evaluation of unrecorded leave time for central administration staff and principals.

Director Harris asked is there room for improvement to have more transparent reporting. Mr. Medina explained the timeline for the audit request and that he first informed the Chair of Audit & Finance in October and that the request followed the internal audit Board Procedure. The Chair concurred that this would be a good use of internal audit resources.

Director Blanford asked about the methodology of how schools are reporting this data. Mr. Medina explained the methodology and explained a few challenges in completing the analysis. Director Harris requested an interim report be given prior to the next quarterly meeting. Mr. Medina explained he can provide that once more information/ data has been gathered because the audit is still in process and the data is still being verified.

Director Patu asked what we are doing to avoid this from happening while the information is being gathered. Mr. Medina explained an email has been sent out to district staff reminding them of their responsibilities to record their leave time correctly. The Directors approved the change to Annual Internal Audit Plan.

- Rainier Beach High School Audit Report

Mr. Medina spoke about the six findings. Mr. Medina explained school audits are part of the internal audit annual plan, but Rainier Beach High School was selected for an audit because there were several complaints regarding untimely payments to vendors.

Director Peters asked how often is the fiscal specialist available or not available. Mr. Medina explained he was unable to determine that.

Director Harris asked if this would require updating manuals or notifying principals. Mr. Medina spoke about how that would not be necessary and procedures are already documented.

Director Harris asked if the procedures are not being followed what happens. Mr. Medina explained if the procedures are not being followed, it would be put in his report as a recommendation.

Mr. Medina spoke about how the issue related to untimely vendor payments was mainly attributable to unauthorized purchases. Mr. Medina summarized the recommendations for vendor payments.

Director Harris asked about staff and vendor communication. Mr. Medina explained the report includes recommendations regarding communication with staff and vendors.

Director Blanford asked what type of vendors would this be referring to. Mr. Medina provided some examples.

Mr. Medina summarized the remaining findings, which involved cash handling and receipting, payroll, volunteer screening, field trips, and the use of school facilities.

Director Harris asked who approves field trips. Mr. Medina explained the Executive Director of Schools approves overnight trips, and that Risk Management only approves international trips. Mr. Medina indicated that an administrative procedure is in place for field trips.

Mr. Medina spoke about a finding related to the use of school facilities. Outside groups were allowed to use the school's facilities in exchange for a donation, rather than following the District's proper building rental procedures. Mr. Medina indicated that additional analysis would be necessary to determine if all donations received in exchange for using the school's facilities were actually deposited with the school's fiscal office.

- Human Resources Follow-up Audit Report

Mr. Medina spoke about how this is a follow-up to our original report that was issued on September 11, 2012. Mr. Medina explained the initial report contained 11 recommendations and that improvements have been made to correct 10 of the 11 recommendations. He noted that too many people still have access to the transactions that can impact employee pay and employee personal data.

Director Peters asked what it takes to fix that. Ms. Codd explained the system process in SAP, and indicated that they have a plan to correct this.

Audit Response Updates

1. Audit Response Management (Boulmetis/Berge)

Audit Response Manager Annette Boulmetis explained these were already included in the discussion with Ms. Berge in Audit Response Update Business and Finance.

2. Curriculum and Instruction (Tolley/ Clancy/ Stone)

Professional Development Instructional Services Manager Laura VanDerPloeg explained the development of an automated method to track and record clock hours. Ms. VanDerPloeg explained the pilot program that had been done and explained the current plan of doing a cost benefit review. Ms. Codd explained additional concerns for the corrective action plan.

Director Blanford asked if we are out of compliance for clock hours and implications with our budget. Ms. VanDerPloeg explained additional shortfalls of possible errors that will occur if this system is not introduced properly.

Director Harris asked if this problem is unique to Seattle School or can we ask other districts for guidance. Ms. Codd explained we charge for clock hours, and we use the funds to staff someone. Other districts do not charge.

Director Peters asked Ms. Boulmetis make edits in the comments section to have more information on the focus of the corrective action plan to be updated for the next meeting. Ms. Boulmetis agree to update this section.

Director of Special Education Michaela Clancy spoke about the CEDARS and P223h reports directly from data in the Individualized Education Program (IEP) online system, rather than reenter the data into the PowerSchool system. She explained the implementation will begin after Office of the Superintendent of Public Instruction (OSPI) submission will occur in January.

Director Peters asked if both systems will be working together. Ms. Clancy explained it will be the two systems. She have been working closely with DoTS to insure a smooth process.

Directors asked Ms. Clancy to bring this item back in March for an update.

Grants Director Michael Stone spoke about recommendations to review ranking order of Title I buildings to ensure enrollment and Free and Reduced Lunch (FRL) data is accurate and adequately supported. Protocol has been developed within the Grants team and working with DoTS. Mr. Stone explained the process to have the data pulled.

Director Harris asked if these numbers are we based the Weighted Staffing Standard (WSS). Ms. Sebring confirmed they are and she explained the data analytics that are done prior to the information going out to the school.

3. Business & Finance (Berge/ Murphy/ Navarro/ Fleming)

Discussed with Ms. Berge in Audit Response Update Business and Finance.

4. Human Resources (Codd)

Assistant Superintendent of Human Resources spoke about the recommendation of the District create a written Policy 6501 or procedure to protect employees' private information including restrictions on access and storage of sensitive information. Ms. Codd explained policy 6501 will come to the board in January 2017.

5. Capital Projects (Herndon/ Best)

Associate Superintendent Capital Facilities Enrollment spoke about a template for liquidated damages estimates and maintain documentation that supports the amount and explains the basis for the calculation. It was recommend the District provide written notice that reserves the right to impose liquidated damages when it first appears substantial completion. Mr. Herndon explained this will be completed on the 20th.

Director Harris asked if this can be given to Legal Department. Mr. Herndon explained the knowledge of construction needs to be there, and direction would need to be given to the paralegal to have it completed. This will be on the March report as closed out.

Meeting adjured at 6:30pm