

Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3rd Avenue South, Seattle, WA 98124



Audit & Finance Committee Meeting Minutes Quarterly Audit Meeting Tuesday, March 15, 2016 4:30 – 6:30 pm

Call to Order

Director Peters called the meeting to order at 4:32 pm.

School Board members present were Directors Harris, Peters, and Blanford.

Staff members present were Deputy Superintendent Stephen Nielsen

Approval of Agenda

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

Director Harris moved to approve the December 8, 2015 meeting minutes. Director Blanford seconded. The minutes were unanimously approved.

Internal Audit

1. Internal Audit Update (Medina)

Director of Internal Audit & Ethics Officer Andrew Medina indicated that three audits would be presented today. Mr. Medina summarized the internal audit process. Mr. Medina spoke about how management is the first to review the audit results, are requested to provide a response from management. Once the response from management is completed the draft report could be altered if new information is provided. Mr. Medina highlighted that the reason for sharing results with management first is to ensure that the report is factually correct and to avoid any surprises when the report is finalized.

Directors asked if the audits are given to the Executive Directors of schools. Mr. Medina confirmed that the directors at the schools are included in the exit conference. For school audits the senior executive responsible is Michael Tolley.

Mr. Medina spoke about the Franklin High School audit first, which had three findings. Mr. Medina summarized the three findings relating to cash handling and receipting, volunteer and chaperone screening, and pre-signed checks.

Directors asked how does management respond and if it is reviewed prior to coming the committee. Mr. Medina explained the principals are the ones that normally complete the management response for school audits, and that the responses are reviewed by the internal auditors before being included in the final version of the report to ensure that management accurately understood the audit issues.

Mr. Medina spoke about the Olympic View Elementary School audit, which had three findings. Mr. Medina summarized the three findings relating to cash handling and receipting, volunteer and chaperone screening, and the ASB Activity Approval and Reconciliation Form.

Directors asked about training for principals and school staff. Mr. Medina spoke about the Summer Leadership training, but indicated that the training is only required for new principals.

Directors asked would it be the recommendation to have training for all school staff. Mr. Medina spoke about how Internal Audit has made previous recommendations that anyone who handles cash needs to have cash handling training.

Directors asked about the cash handling training. Mr. Medina spoke about how more training are currently being offered, but, to his knowledge they are not mandatory. Deputy Superintendent Stephen Nielsen spoke about how any principal has to have that training according to certification rules. The new point of system we are getting in will help with the cash handling challenges.

Directors asked when Point of Sale (PoS) will begin. Audit Response Manager Annette Boulmetis said in July 2017. Mr. Nielsen thinks this date is correct and that it is on the highest priority list.

Mr. Nielsen asked Accounting Director Barry Tsoi, do we offer cash handling training to office managers. Mr. Tsoi spoke the training is available and the Accounting Department offers it many times throughout each year, but confirmed that it is not mandatory. Assistant Superintendent of Operations Pegi McEvoy spoke about how March 23 is the next date of training and at the last training approximately 70 staff present in training. Mr. Tsoi spoke about cash handling procedures are available online for any new principals.

Audit Response Updates

1. Response Management (Nielsen/Boulmetis)

Audit Response Manager Annette Boulmetis spoke about her role within the District. Ms. Boulmetis spoke about internal and external audits performed simultaneously. Ms. Boulmetis summarized additional duties she completes in her role. Ms. Boulmetis spoke about how the audit response spreadsheet tracking worksheet is used to track open and closed audits within each department.

2. Teaching & Learning (Tolley)

Assistant Superintendent Teaching & Learning Michael Tolley spoke about how two of the items speak to special education. Mr. Tolley spoke about the IEP's moving towards an electronic archival storage system. Director of Special Education Michaela Clancy spoke about multiple options have been explored and should have a proposal in hand soon, in testing in June, Directors asked if Mr. Tolley requested an extension. Mr. Tolley confirmed the extension had been requested. Mr. Medina spoke about how the Internal Audit Board Procedure states that extensions should be requested at the time the correction action plan is initially prepared.

Without an approved extension, it is really a new estimated date of completion, Mr. Medina spoke about how his annual report to the Board identifies items that are overdue.

Directors suggested a footnote be made of any changes and would like a date made of these documents, and projections added in the worksheet. Mr. Medina spoke about extensions granted during a Committee meeting being recorded in the minutes. Mr. Medina passed out spreadsheet with all items unresolved as of 12/8/2015.

Ms. Clancy spoke about preparing cedar reporting and how it is 80% developed. Ms. Clancy spoke about going live with this in June.

Directors asked what student contact with an instructor entails regarding the Alternative Learning Experience audit being performed by SAO. Ms. Boulmetis spoke about how t eat time required in the classroom and attendance records.

Directors asked if we are ready for the SAO to come again. Ms. Boulmetis spoke about how they need to be given time in order for the corrective action to occur.

3. Capital Projects (Herndon/Jessee)

Director of Capital Projects & Planning Richard Best spoke about the open items that concern liquidated damages. Mr. Best summarized the consequences of liquidated damages. Mr. Best

summarized liquidated damages of two projects, one at Jane Adams middle school and the other project is Genesee Hill construction project. Mr. Best spoke about why these two items are still open.

Directors asked if the District has ever been penalized by this in the past. Mr. Best spoke about how we have met the contractual requirements in the past and builders risk is another type of insurance.

Directors asked if all of these findings were caught by internal auditors. Mr. Best confirmed all of these items were found by Senior Capital Auditor Kimberly Fry.

Directors asked what RFI means. Mr. Best explained RFI means Request for Information.

Mr. Best spoke about how all RFI are required to be responded to within 14 days. Mr. Best summarized the process for change orders, and explained every change order is documented within that moment of time.

4. Human Resources (Perlstein)

Director of Human Resources Data and Systems Michel Perlstein spoke about Human Resources corrective action of S274 reporting and have notified OSPI of these corrections. Assistant Superintendent of Human Resources Clover Codd spoke about working with DoTs on automated clock hours.

Directors asked is there another District we should be compare ourselves with. Mr. Nielsen spoke about ESD has great services and other districts use this process and have had cost savings by doing so.

Directors asked what happens as a result of that. Ms. Codd spoke about how DoTs has a solution that is in testing and very close to being rolled out.

Directors noted Audit response spreadsheet reflected no action taken. Ms. Boulmetis spoke about being locked in the bargaining with 609, the item was researched, and the risk was accepted. Directors requested it be switched to close as the action.

5. Operations (McEvoy/ Katterhagen/Girvan)

Assistant Superintendent of Operations Pegi McEvoy spoke about audit findings related to fleet management. Director of Logistics Kathleen Katterhagen spoke about the fleet manager receiving tracking/ monitoring of vehicle maintenance. Senior Strategic Advisor-Operations Sean Girvan spoke about SP6640 procedures signed by Superintendent Nyland. Fleet vehicles reported in and out of compliance with the maintenance schedule. Mr. Girvan summarized automated controls. Mr. Girvan spoke about analysis being complete on fleet management assignment. Ms. McEvoy spoke about research underway on a possible leasing agreement. Directors asked for the reason the finding is still open on the spreadsheet. Ms. Boulmetis advised she has not received notice of Superintendent approval of the procedure being SP updates. Assistant Superintendent of Operations indicated approval was effective as of today's date.

6. Business & Finance (Nielsen/Tsoi)

Deputy Superintendent Mr. Nielsen spoke about PoS system item already being spoken about. Mr. Tsoi spoke about salary and benefits being updated as the service budget model. Mr. Tsoi spoke about the tracking being done for #12 (Semi-annual Time & Effort Certifications were not signed timely and/or signed by the wrong Program Manager) on the spreadsheet. Mr. Nielsen spoke about how this is specific to #10 (salaries and benefits charged to the Capital Projects fund), a new issue to SAO, and they are working with them since this is not a unique item. Ms. Boulmetis spoke about the finding for purchases in the B2B system and the finding regarding separation of duties.

Directors asked why the Associate Superintendent requested an audit of Middle College HS. Ms. Boulmetis spoke about school visits and empty seats in the classroom. Mr. Nielsen provided clarification that the investigation is separate and unrelated to the audit of enrollment.

Special Attention Items

1. OSPI Consolidated Program Review (Stone)

Grants Director Michael Stone spoke about OSPI visit in February looking at all federal programs. Mr. Stone summarized the process of a full review from OSPI occurs every three years.

Directors asked on the previous 25 findings were found. Mr. Stone spoke about the previous 25 findings; one was Title IV and High school graduation initiative.

Mr. Stone spoke about the positive reviews of the highly qualified teachers available in the title I schools.

Directors asked if private schools coordinator is a full FTE. Mr. Stone confirmed that is a full FTE, Marlene Myers is the Private Schools Federal Program Coordinator. In this busy role Ms. Meyers covers the entire district.

Mr. Stone spoke about the non-compliant items Title I part A.

Directors ask if the Title IV item is now being checked by Mr. Stone. Mr. Stone explained this item is with Student Civil Rights Compliance Officer Kelly Schmidt for final checking.

Directors asked about civil rights, would OCR be in the report. Mr. Stone explained this would just be in our procedures for complaints.

2. Draft Privacy of Employee Information Policy (Codd/Perlstein)

Director of Policy, Board Relations and Special Projects Erinn Bennett spoke about an audit finding in 2012 regarding privacy of in personal information. The draft policy will be presented at the A&F April meeting. Ms. Bennett confirmed this is for the committee to give suggested edits. Assistant Superintendent of Human Resources Clover Codd explained this policy has been drafted for a broader reach of employees working with and for the District. This process will involve legal and DoTs.

Ms. Codd spoke about evaluation data being available online. Ms. Codd wanted feedback from the board on including student growth data. Committee members would like some time to think of think more about additional feedback.

Directors asked if we can go beyond FERPA. Ms. Codd explained this policy does go beyond FERPA.

3. Employee Separation Checklist (Codd/Perlstein)

Director of Human Resources Data and Systems Michel Perlstein spoke the need of a Separation Checklist for departing employees. Ms. Perlstein gave a summary of the two sided form with a list from fixed assets.

Directors asked if this included the policy for departing employees. Mr. Perlstein confirmed these forms would be something administrators would use for departing employees.

Directors asked does this form include language no final paycheck will be issued if items not returned. Ms. Perlstein explained that would be difficult due to legal ramifications.

Directors will send any additional questions to Ms. Codd.

Adjourn

The meeting was adjourned at 6:39pm.