

# Board Special Meeting

## Quarterly Audit Meeting

Tuesday, December 3, 2019, 4:30-6:30pm

Board Office Conference Room, John Stanford Center

2445 – 3<sup>rd</sup> Avenue South, Seattle WA 98134



## Minutes

### Call to Order

This meeting was called to order at 4:31pm Directors Harris, Hampson, Mack and Rivera-Smith were present.

Chief Financial Officer JoLynn Berge staffed this meeting.

Approval of agenda: Directors moved to approve the agenda. This motion passed unanimously.

Approval of meeting minutes: Director Mack moved to approve the September 3, 2019 meeting minutes and Director Harris seconded. These minutes were approved unanimously.

### Internal Audit Update

#### 1. Internal Audit Update

Director of Internal Audit Andrew Medina spoke about how two internal audits have been completed and will be presented at this quarterly meeting.

- Special Education – Sustainability of the Corrective Action Plan (Medina)

Mr. Medina provided a summary of prior Special Education audits and reviews conducted by the Office of Internal Audit, Office Superintendent of Public Instruction (OSPI), and the Department of Education. He explained that this audit was requested by the U.S.I Department of Education. He summarized the procedures conducted during the audit.

Director Harris asked if previously withheld funds were returned to the District. Mr. Medina explained the funds were received in 2017.

Mr. Medina summarized the audit which resulted in no additional findings. He added that OSPI will continue monitor the District.

Director Harris asked if this was part of the write-back audit. Mr. Medina explained this was separate, and the write-back audit report was presented at the December 2019 quarterly audit meeting.

Director Harris asked if FAQ's summarizing the Special Education history could be provided to new board members. Chief Financial officer JoLynn Berge explained if Directors were interested in that information, she can discuss it with them in the upcoming one on one meetings.

Director Mack asked if the audit relates to service provided to Special Education families. Mr. Medina explained the audit was focused on the District's monitoring procedures and not specific compliance. Chief of Schools & Continuous Improvement Wyeth Jessee spoke about the compliance work and high-quality services being conducted by the District. He spoke to file reviews, school visits, and the entire District-wide oversight of the plan. The committee expressed interest in the work being done and suggested an oversight work session to learn more. Chief Financial officer JoLynn Berge stated she wasn't certain because the oversight work sessions had already been scheduled for the year by the Executive Committee. The Committee discussed communicating with the Executive Committee to review possible work sessions options.

Director Hampson asked what is the write-back. Mr. Medina summarized the write-back process and explained how it was an automated process developed to report data to OPSI more efficiently.

- Alternative Subcontractor Selection Process (Fry)

Capital Audit Program Manager Kimberly Fry spoke about the objective of the audit, which was to determine whether the district has implemented controls to ensure compliance with alternative subcontractor selection statute when using these methods on general contractor/construction manager (GCCM) projects. She explained that the audit covered electrical contractor/construction manager (ECCM) and mechanical contractor/construction manager (MCCM) subcontracting methods. She explained that state law allows qualifications-based subcontracting for mechanical and electrical work on GCCM projects if the cost of the work is \$3 million or more. Either of the two subcontractors can be selected early in the life of the project to assist with preconstruction. The audit examined the district's practices and procedures, performance aspects, and legal compliance for the Lincoln and Bagley projects. Ms. Fry reported that district is yet to put controls into place that ensure compliance. This is a new process for the district, and Lincoln was the first project to use MCCM. However, the district plans to use MCCM and ECCM on both the Mercer Middle School and Rainier Beach High School projects. This presents the opportunity to establish controls and increase compliance.

Ms. Fry summarized the findings and recommendations. She explained that the first finding pertains to overall internal controls. Compliance with the alternative subcontractor selection statute is a joint effort between the district and the GCCM. The district relies significantly on the GCCM to perform these procedures, including procedures intended to ensure the use of alternative subcontracting methods is in the public's best interest. Ms. Fry stated that the district should ensure the notice of public hearing is timely; elements of the notice comply with the law; hearing materials are available to the public when the notice is published; and the public input process is complete before proceeding with the selection process. Ms. Fry recommended that Capital establish standard procedures to be followed each time MCCM or ECCM is used and that documentation demonstrating compliance be maintained in e-Builder. Director Harris asked which statutes are referred to in the audit report. Ms. Fry explained that other statutes are relevant, but the primary statute is RCW 39.10.385.

Director Mack asked whether standard procedures refer to a superintendent procedure. Ms. Fry replied that it is not a superintendent procedure, but internal procedures be created by Capital, not a superintendent procedure.

Director Harris requested that the procedures be reviewed by the BEX oversight committee. Director Harris requested this be discussed further with Chief of Operations Fred Podesta.

Director Mack agrees the procedures as they are developed be brought to the BEX oversight committee. Ms. Fry spoke about the second finding, final determinations. Determining that MCCM or ECCM is in the public's best interest is accomplished primarily by holding a public hearing, considering comments received, and issuing a final determination. Ms. Fry stated that the practice of issuing final determinations has not been standardized and the district did not issue one for the Lincoln MCCM decision. She recommended the district issue final determinations before advertising the solicitation of services and decide how to disseminate final determinations to interested parties.

Ms. Fry spoke about the third finding. The law states that the MCCM or ECCM should be selected early in the life of the public works project. Having the key subcontractors on board during pre-construction allows them to help develop the design and reduce the cost and the schedule for the project. Ms. Fry explained that the Lincoln MCCM was selected around mid-design development. With the Bagley project, however, design development was complete by the time the MCCM and ECCM were brought on. She recommended earlier selection of MCCM/ECCM subcontractors, and that lessons learned regarding the timing of the selection from Lincoln and Bagley be applied to future projects. Ms. Fry explained that Capital's position is that the MCCM/ECCM should be selected by the end of schematic design but no later than early design development.

Ms. Fry spoke about the last finding, independent cost audit. The audit is required by law to reconcile the maximum allowable subcontract cost to actual costs. She recommended this audit for the Lincoln MCCM contract be completed before final payment to the GCCM.

Discussion about whether the State Auditor's Office (SAO) would be able to perform the cost audit. Ms. Fry stated she has informed Capital that the audit will have to be contracted out. She informed the committee that SAO would not be able to do this audit and explained the types of audits SAO does perform.

Director Hampson asked why the district had not used MCCM/ECCM before, since it has been available since 2010. Ms. Fry explained that the law allowing MCCM/ECCM was passed in 2010, but using these alternative methods is not a requirement. It is the public entity's choice whether and when to use them. Director Harris asked how the board would know the results of the cost audit. Ms. Fry replied that she will inform the board.

### **Audit Response**

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

Audit Response Manager Annette Boulmetis explained how the audit response tracking sheet will be presented at the quarterly meetings for the benefit of the new Audit & Finance Committee members.

#### **2. Student Supports (Jessee)**

Chief of Schools & Continuous Improvement Wyeth Jessee spoke about how registrars at high schools were not consistently coding students who were transferring to another school. Mr. Jessee explained a drop out school procedure if a student transfers to another school. Two training sessions have been completed with all high school registers. Counts are reported to OSPI, P223 for our monthly intake based on FTE and the P223 is based on headcount.

Mr. Jessee explained how his department now has a District-wide registrar position has, which provides a resource and more oversight to all schools.

Director Hampson asked how data is being collected to ensure consistency. Mr. Jessee explained we are relying on the school registrars, all of them have been trained and we are now monitoring with the new District-wide registrar.

Ms. Boulmetis will have this item remain open and brought back to the March meeting

#### **3. K-5/K-8 Schools (Eberts)**

Director of Schools P-12 Heather Eberts explained the status of findings for Thornton Creek and that all bylaws have been updated. Additional follow up meetings have been set up to continue to have the school follow and remain in line with rules outlined. The site council has met and have updated their charter. Ms. Ebert requested this item be closed.

#### **4. Human Resources (Redick/ Codd)**

Chief Financial Officer JoLynn Berge read a statement from Human Resources (HR) Department. Seattle Education Association (SEA) and District will create a sub-committee during the next bargain to provide specific rules on substitute criteria and the administration of funds generated by sub unavailability. HR has drafted a memo to clarify the substitute request process and this has been sent to SEA. Since HR has not heard back from SEA we are requesting to keep this item open.

Director Harris asked about other school districts limiting hours of subs in regards to health benefit qualifications. Ms. Berge explained Seattle Public Schools is not doing that. If the employee is qualified to benefits, we are funding them. Everyone is treated fairly and consistently between units.

Director Hampson asked what the annual amount is. Ms. Berge explained for the entire District it is a couple million dollars.

Director Harris asked if substitutes will not go to certain schools. Ms. Berge spoke about how some schools have a higher fill rate.

#### 5. Budget & Finance (Berge)

Chief Financial Officer JoLynn Berge spoke about the new fixed assets system that will be coming online in January 2020 and will take care of the open item of tracking assets. She is requesting it be brought back in March 2020. Ms. Berge is requesting the fiber sharing procedure be closed, procedures have been given to all departments. Each school has been given gift card procedures.

Director Harris asked what additional outside groups has been given the gift card procedures. Ms. Berge explained schools should be providing this to their parent groups. If additional community partners would like to have access to the procedure, it is available at their local school.

**Adjourn: 6:08pm**