



Board Special Meeting

Quarterly Audit Meeting

Tuesday, June 2, 2020, 7:30-9:30 am

Meeting to be held remotely

By [Microsoft Teams](#)

By Teleconference: 1 206-800-4125 (Conference ID: 295 662 479#)

Minutes

Call to Order

This meeting was called to order at 7:32am Directors Hampson Director Rivera-Smith were present via Teams. Director Harris joined at 7:41am

Chief Financial Officer JoLynn Berge staffed this meeting.

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

Approval of meeting minutes: Director Rivera-Smith moved to approve the March 3, 2020 meeting minutes and Director Hampson seconded. These minutes were approved unanimously.

Internal Audit Update

Internal Audit Update (Medina)

Director of Internal Audit Andrew Medina gave a summary of the completed internal audit on stipends. He provided some background information on the materiality and different types of stipends. He explained that certificated staff were the main focus of the stipends audit. He summarized the audit's objectives and provided details of the three findings related to internal controls, lack of written guidance, and inactive stipends.

Directors asked to have additional numbers supporting the findings added to this report and all reports going forward. Mr. Medina agreed to include.

Director Hampson asked about the dollar value of the errors and the fiscal impact of the audit. Mr. Medina explained that the objectives of this audit were to determine the adequacy of internal controls, and not to quantify the amount of exceptions. The audit was focused on making recommendations to improve controls and procedures so the District could ensure proper accountability of stipends going forward. He stated that they used a risk-based sample to focus on the stipends that pose the greatest risk to the District, rather than a random sample with a standard deviation calculation that would allow them to extrapolate the sample results to the total population.

Directors asked if Chief Human Resource (HR) Officer Clover Codd would like to speak to management's response to the audit. Ms. Codd spoke about how HR met with Mr. Medina in Internal Audit to review the data set in the report. She confirmed everything in the report is accurate. She explained the written guidance is in collective bargaining agreements and been around with no update for many years. The guidance will be prepared and updated and sent to principals. She added she was hoping more automation would be added within the budget system project.

Director Harris asked why the past automation plan was abandoned. Ms. Berge explained the budget project was implemented in phase I. Addition automation was worked on, but we were unable to find a

solution off the shelf and a customized solution was not feasible. If a replacement for SAP comes around, we will look at it again. Ms. Berge explained as we went through the budget system SAP is funded in BEX V, and some of that funding may need to be redirected to laptops. It was started in 2016, setup the first phase and we stopped working on that project in 2019. She confirmed it was discussed with the Audit & Finance (A&F) committee.

Ms. Codd explained most of these people were getting more than one stipend. Mr. Medina stated that a full list of exceptions was shared with management for them to review, but that not every one of those would need to be an adjustment.

Director Hampson asked if the exceptions impacted income reporting on W-2's. Ms. Codd stated that most of the exceptions did not question if the people did the work they were compensated for. The exceptions highlight errors in administering and assigning stipends, but it does not question if the work was actually performed. The tax implications should be minimal. Mr. Medina concurred with this statement.

Director Harris asked about stipend information in the collective bargaining agreement (CBA). Ms. Codd explained it was cleaned up some during the last open bargaining last summer, but further cleanup is necessary. The CBA is being bargained this summer based on impact bargaining which is based on changed working conditions.

Director Rivera Smith asked what the timeline is for corrective action. Mr. Medina explained the detailed corrective action plan should be developed within 1 month and that full resolution should be achieved in six months, unless an extension is requested.

- Racial Equity Advancement Internal Audit Consideration Tool (Medina)

Mr. Medina spoke about how this tool was discussed at the June 2019 A&F meeting. He explained how the tool is used to help align Internal Audit's work with the Strategic Plan. He spoke about how the form is increase Internal Audit's awareness of possible inequities associated with the area being audited.

Director Harris asked how this will be implemented and questioned the use of yes/no questions as opposed to opened questions asking for more documentation. Mr. Medina answered the plan is to use it in the general audits first, then expand it into capital audits. He stated that if the audit includes racial equity procedures, they would be documented in the audit workpapers. Directors discussed additional ways to include data and documentation, and ideas to make the questions clearer.

Director Hampson asked if management had any comments on the Tool. Ms. Berge cautioned not to make the Tool too overwhelming or it risks getting set aside.

Director Rivera-Smith asked for question 6 on the form to use more consistent with terminology throughout the form. Directors and Staff discussed how to make it more uniformed. Mr. Medina agreed to make clarification to the form and bring it back to another A&F meeting for further discussion.

- COVID-19 Related Risks (Medina)

Mr. Medina shared what he has been doing to track the risks associated with COVID-19. As he learns new information, he adds it to a draft list that has been shared with A&F Directors and District management. The list serves as a parking lot for potential risks and will be evaluated during the next annual risk assessment and audit plan process. Directors asked that an updated list be sent to the Committee members.

Audit Response

1. Audit Response (Boulmetis)

Audit Reponse Manager Annette Boulmetis explained nine recommendations are open but none are due to be completed at this time. No update for directors at this time.

Adjourn 8:47 am