

**Audit Committee Meeting
January 17, 2020 – 10:00 a.m.
Bloxham Building Conference Room**

Meeting Minutes

Audit Committee Members Present

Dee Dee Rasmussen, Chair
Linda Nelson, Vice Chair
Allen Stucks
Jim Davis
Herbert Bailey
Julie Leftheris
Pat Weaver

Leon County School Board Staff Present

Opal McKinney-Williams, School Board Attorney
Livetra Paul, Director of Internal Auditing
Olivia Willis, Internal Auditor
Kim Banks, Chief Financial Officer
Kathy Sanders, Director of Financial Services
Naomi Coughlin, Director of Budgeting
Dana Earnest, Executive Assistant

Guest Presenters

Tim Westgate, Purvis Gray
Ryan Tucker, Purvis Gray
Megan Camp, Purvis Gray

Call to Order

The meeting was called to order at 10:05 AM by Audit Committee Chair Dee Dee Rasmussen.

Approval of Meeting Agenda

The meeting agenda was unanimously approved. The motion was provided by Allen Stucks and seconded by Herbert Bailey.

Approval of Prior Meeting Minutes

The committee unanimously approved the meeting minutes from the July 18, 2019 Audit Committee meeting. The motion was provided by Allen Stucks and seconded by Herbert Bailey.

Audit Committee Report to School Board

Mr. Bailey provided a brief overview of the Audit Committee Report presented at the November 19, 2019 School Board meeting. Mr. Bailey shared that the report provided to the School Board included information about the work being completed by the Office of Internal Auditing. He also stated that the School Board was notified that the Audit Committee would hear a final report from the External Auditors. The report was well received and there were no particular issues or concerns from the School Board.

Audit Reports - External

Ryan Tucker, Tim Westgate, and Megan Camp, representatives from Purvis Gray & Company, presented the *Communication To Those Charged with Governance* to the Audit Committee for the following reports:

- Financial Statements and Independent Auditor's Report - District School Board
- Financial Statements and Independent Auditor's Report - Internal Accounts.

Ryan Tucker provided the following highlights related to the District School Board Audit:

1. The firm issued an unmodified opinion on the financial statements which means the financial statements are fairly presented in accordance with GAAP. This is the highest level of assurance that can be provided by a CPA firm.
2. There was one finding that was deemed to be a material weakness (page 75). The material weakness was related to the preparation of the Annual Financial Report (AFR). The District used a new software system (Caseware) to aid in preparing the AFR. They encountered some issues with the conversion of the data which resulted in the need for some adjustments. The adjustments have been reflected in this audit report.
3. There were no management letter comments.
4. There were no noncompliance matters identified during the course of the audit.
5. There were no findings for the Federal Single Audit. The three major programs audited this year were:
 - Special Education Cluster
 - Child/Adult Care Food Program
 - Title 1 Grants
6. Follow up activities were conducted for the four findings (1 material weakness, 1 significant deficiency and 2 management letter comments) included in the prior year audit. All of the prior year audit findings were resolved (page 76 & 77).
7. The school board provided a written response that is included on pages 81 & 82 of the audit report.

8. A hardcopy of the audit adjustments identified during the audit was provided to the audit committee.
9. Ryan Tucker also provided the following general comments:
 - Audit was completed 3 months earlier.
 - District had a good year financially.
 - Funds are being invested in construction projects and renovations at Fairview, Rickards and throughout the District.
 - Fund balance levels are adequate or strong. DOE requires 3%. The District is at about 15%
10. Two new GASB pronouncements that will impact the District were discussed.

GASB No. 84 – Fiduciary Activities

This statement will impact the reporting of School Internal Accounts. School internal accounts are currently reported separately as agency funds and are not a part of the core financial statements. They are held in a custodial nature for the schools with the accounting system spread throughout the District at each school. GASB No. 84 redefines custodial funds and eliminates the agency fund category. The level of involvement, administrative authority and approval of transactions will impact how these funds are classified. This will be effective during the current fiscal year. DOE and the Auditor General's Office has not provided any specific guidance on how these funds should be classified.

GASB No. 87 - Leases

This statement will look at the total population of operating leases. These leases will be required to be reported on the balance sheet with a liability similar to the reporting required for capital leases. This statement must be implemented in the upcoming fiscal year.

Meagan Camp provided the following highlights related to the Internal Accounts Audit:

1. 15 schools selected for audit – a risk based approach was used. The 10 schools with the highest volume and 5 schools selected judgmentally.
2. The report includes a tabulation of uncorrected audit findings. These are typical issues that would be seen at every school district. These finding are reoccurring issues due to the small nature of some schools and limited staff. There are not any findings noted that should cause significant concern.
3. Repeat findings were noted related to receipting, disbursements, segregation of duties issues, bank reconciliations, and ticketed events. These are documented in the report in findings 19-01 through 19-05. It was suggested that some schools may want to consider receiving bank statements electronically to aid in timely monthly

reconciliations. There were issues with the reconciliation process for ticketed events due to inconsistencies with methodology used between different locations and different ticket takers.

4. Two new findings related to:

- unreasonable accumulation of prior year student fees.
- Purchase Order approval for internal purchases over \$1,500

Audit Reports - Internal

Given the time dedicated to the District Financial Audit and the Audit of Internal accounts, the Audit Committee voted to move agenda items No. 5 - Internal Accounts and No. 7 - Office of Internal Annual Work Plan Update 2019-2020 to the next regularly scheduled meeting on April 17, 2020. Office of Internal Auditing staff will include a discussion of items listed under agenda items No. 5 and No. 7 on the next agenda.

Audit Committee Policy Revisions (LCS Policy 6840)

School Board Attorney Opal McKinney-Williams reviewed the recommended changes to Leon County School Board Policy 6840 – Audit Committee. She noted the following:

1. The following language will be included in Section A – Purpose

The committee will continue to be called the Audit Committee. Per State Statute, the primary purpose of the Audit Committee is to serve as the auditor selection committee and perform other functions as set out in School Board policy.

2. The following language will be included in Section B – Membership

- A school board member, who is recommended by the school board, shall serve as Audit Committee Chair.
- Seven members appointed to the audit committee, one appointed by each school board member and two members appointed by the Superintendent.
- Remove reference to “in open session” from this section.
- The vice chair will attend audit entrance and exit conferences on behalf of the committee. Furthermore, if there are any other meetings that requires the attendance of a school board member, the audit committee vice chair will attend on behalf of the audit committee.

The following discussion topics were presented during the discussion of Section B – Membership

- A. The Audit Committee is currently comprised of 8 members and it is recommended that the membership is comprised of an odd number of members for voting purposes.
- B. The Chair of the Audit Committee, who is a school board member, also has an appointee sitting on the audit committee. The audit committee should consider

whether the option to having a sitting appointee during the tenure of the audit committee chair should be removed. This option would result in 6 members appointed to the committee, one by each member of the school board member, with the exception of the audit committee chair, and two by the superintendent. This could create the unintended consequence of causing one appointee to only be allowed to serve a one year term since the term of the Audit Committee Chair is only one year. All other appointees serve a 3 year term.

- C. When a vote is necessary, the appointee of the chair could recuse himself from the vote or in the event of a tie vote the chair could vote twice to break the tie.

Each of the aforementioned topics was discussed in detail and the audit committee opted to recommend the language as written in the draft policy Section B- Membership, to the board for approval.

3. The following language will be included in Section C – Term of Service
 - The Audit Committee Chair serves for one year and may be reappointed. Appointment of the Audit Committee Chair will occur at the School Board reorganizational meeting.
 - In the third paragraph, replace the word incoming with the word appointing
 - In the last paragraph of this section, language will be added to detail how the chair will be replaced in the event that he/she cannot fulfil the duties as chair.
4. The following language will be included in Section D – Meetings
 - Meetings shall have a quorum of five (5) members out of eight (8).
5. The following language will be included in Section F – Duties and Responsibilities:
 - The Audit Committee’s primary purpose is to serve as the committee to recommend the selection of an external auditor, to conduct the annual financial audit and provide recommendation to the board.
6. The remaining changes to the policy are to: 1) correct the name of the internal auditing office to Office of Internal Auditing and 2) correct the name of the position title from Chief Auditor to Director of Auditing. These changes will need to occur throughout the Policy.

A motion was provided to present the draft version of Policy 6840 – Audit Committee with the changes/and or corrections referenced to the School Board for approval. A motion was presented by Allen Stucks and seconded by Pat Weaver. The Audit Committee unanimously approved the motion.

Office of Internal Auditing Annual Work Plan Update

Given the time dedicated to the District Financial Audit and the Audit of Internal accounts, the Audit Committee voted to move agenda items No. 5 - Internal Accounts and No. 7 - Office of Internal Annual Work Plan Update 2019-2020 to the next regular schedule meeting on April 17, 2020. Office of Internal Auditing staff will include a discussion of items listed under agenda items No. 5 and No. 7 on the next agenda.

Public Comments

There were no public comments.

Future Meeting Dates

The Audit Committee Quarterly Report to the School Board will be presented at the February 25, 2019 LCS School Board meeting. Julie Leftheris will present the report on behalf of the Audit Committee. The next regularly scheduled Audit Committee meeting will be held on April 17, 2020.

A recognition of Mr. Allen Stucks' service to the audit committee will be provided at the February 25, 2019 School Board meeting.

Adjournment

The meeting was adjourned at 11:20 a.m.