

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
AUDIT ADVISORY COMMITTEE
ADMINISTRATIVE CENTER, ROOM 466
5100 WEST SAHARA AVENUE, LAS VEGAS, NV 89146

Wednesday, January 27, 2016

9:31 a.m.

Roll Call:	<u>Members Present</u>	<u>Member Absent</u>
	Patrick Patin, Chairman	B. Keith Rogers, Member
	Colleen Boyle, Member	
	Anthony Mook, Member	
	Patricia Morris, Member	
	Kevin L. Child, Board Liaison	

Pat Skorkowsky, Superintendent of Schools

Also present were: Nikki Thorn, Deputy Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Tamara Miramontes, CPA, Proposed Engagement Partner, Eide Bailly LLP; Paul Kane, CPA, Audit Senior Manager Eide Bailly, LLP; Cindy Krohn, Executive Assistant to the Board, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

ADOPT AGENDA

Adopt agenda.

*Motion: Mook Second: Boyle Vote: Unanimous
Patricia Morris was not present for the vote.*

PUBLIC COMMENT PERIOD

None.

APPROVE MINUTES

Approval of minutes from the meeting of September 30, 2015, and November 13, 2015.

Mr. Patin noted that "Interim" should be stricken from Jim McIntosh's title.

Motion to approve.

*Motion: Mook Second: Boyle Vote: Unanimous
Patricia Morris was not present for the vote.*

APPROVE REVIEW OF THE INDEPENDENCE AND QUALIFICATIONS OF THE CLARK COUNTY SCHOOL DISTRICT'S INDEPENDENT EXTERNAL AUDITOR

Approval regarding the independence of the Clark County School District's external auditor Eide Bailly LLP, the rotation of audit partners, and the qualifications and experience of the senior members of the external audit engagement team, as recommended.

Ms. Miramontes provided the letter of independence for Eide Bailly, as well as the senior engagement team. She said they are recommending that the current senior level team remain to maintain continuity. She said she has also provided resumes of her experience and Mr. Kane's experience and their engagement letter for the Committee's review.

APPROVE RENEWAL OF THE ENGAGEMENT OF THE INDEPENDENT EXTERNAL AUDITOR FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Approval regarding the renewal of the engagement of the Clark County School District's independent external auditor Eide Bailly LLP for the fiscal year ended June 30, 2016, as recommended.

Ms. Thorn referred to the firm's engagement letter and noted that fees for this year would be increasing by 1.58 percent, which is allowable under the current contract. She stated that there would be a modification to the language in the engagement letter, which has changed since the original RFP due to the purchase of Kafoury, Armstrong and Co. by Eide Bailly, LLP.

Ms. Miramontes clarified that the entire section under "Dispute Resolution," page 10 of 14, Reference 3.02, would be stricken.

Mr. Patin asked Ms. Miramontes to comment on any difficulties or complications with the performance of last year's audit.

Ms. Miramontes stated that District staff was responsive and collaborative in working with the auditors.

Mr. Patin asked Ms. Thorn if there were any problems with last year's audit that the Committee should be aware of.

Ms. Thorn responded there were no issues.

Motion to recommend that the engagement letter for the fiscal year ended June 30, 2016, for Eide Bailly, LLP be renewed by the CCSD Board of Trustees with the caveat that the section under "Dispute Resolution" would be removed.

Motion: Mook Second: Boyle

COMMITTEE MEMBER ARRIVES

Patricia Morris arrived at the committee meeting at 9:42 a.m.

APPROVE RENEWAL OF THE ENGAGEMENT OF THE INDEPENDENT EXTERNAL AUDITOR FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (continue)

Vote on Mr. Mook's motion was unanimous.

APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT CONTROL ENVIRONMENT

Approval on the Clark County School District Board of Trustees' Audit Advisory Committee's responsibility to review updates to the control environment including assignment of authority and responsibilities as prescribed by the Bylaws and Calendar of the Committee, as recommended.

Ms. Thorn gave an overview and update on the CCSD control environment as outlined in Reference 3.04.

Mr. Patin asked if there were issues in the management letter from last year's audit that were communicated separately by Eide Bailly.

Ms. Thorn said there were three issues related to risk management.

Mr. Patin asked if management has reviewed those comments and found those issues to be immaterial or if new controls have been put in place to address those items.

Ms. Thorn said the District has implemented training with the risk management staff, and staff is in the process of putting a system in place related to check-writing procedures.

Mr. Patin asked if there have been any significant changes in the control environment since last year.

Ms. Thorn said no, there were not, but she reminded the Committee of the implementation of receipt imaging on purchases exceeding \$99.99.

Mr. Patin asked about how the District was funding pay increases for teachers.

Ms. Thorn said the money was pulled from what was to be used to purchase the human capital management system. She offered that while this system is important, she believes the Superintendent determined that increasing teacher salary was a higher priority.

APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT CONTROL ENVIRONMENT
(continued)

Mr. Patin agreed that increasing teacher salary is important but said the Board needs to be made aware of the consequences of taking the money from the purchase of the new human capital management system. He asked if there were any other projects or initiatives that funding was redirected from that would affect the control environment.

Ms. Thorn said deferred maintenance was another area of concern.

Mr. Patin said he would speak with Jim McIntosh, Chief Financial Officer, Business and Finance Division, further about these issues and perhaps follow up at a subsequent committee meeting.

APPROVE UPDATE ON RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

Approval regarding the accounting, financial reporting and auditing requirements of recently issued GASB pronouncements including GASB Statement No 72 - *Fair Value Measurement and Application*, GASB Statement No 77 - *Tax Abatement Disclosures*, and GASB Statement No 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as recommended.

Ms. Thorn gave an update and review on upcoming GASB pronouncements as outlined in Reference 3.05.

APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT

Approval on work performed by and the status of the Clark County School District Internal Audit Department for the current fiscal year, as recommended in Reference 3.06.

Ms. Scott presented the Internal Audit Department Audit Plan update for fiscal year 2016 as outlined in Reference 3.06. She noted that two bond fund auditors would be hired at the beginning of the next fiscal year.

Mr. Mook mentioned payroll audit inefficiencies due to the delay of updating the human capital management system.

Ms. Scott agreed that modernizing the system would be the best solution but acknowledged that staff is very knowledgeable about the current system and are able to keep it running as efficiently as possible.

APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT (continued)

Mr. Patin expressed concern with the purchasing card review and asked if purchasing card transactions are tested through the individual schools.

Ms. Scott said every school audit and every department audit includes a purchasing card review.

Mr. Patin suggested that including a purchasing card review for every school and every department on a rotating basis should be considered, given the high risk nature of purchasing cards.

APPROVE UPDATE FROM THE CLARK COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT

Approval regarding an update from District's financial management department on the current and future expected financial conditions, the budget and the District's budget visualization tool known as "Open Book", as recommended.

Ms. Thorn provided an update on Open Book, stating it has been updated with the revised amended final budget which was adopted by the Board of Trustees in December. She shared that information reflected on Open Book also includes a breakdown of the budget on a daily per-pupil rate, a comparison of the five largest school districts in the nation, the number of students per administrator for each District in Nevada, the District's funding streams, and an accounts payable tool to view spending for each vendor over a year. She said staff was working on a new dashboard for testing. She said the teachers have settled their contract, and staff was in the process of developing the tentative budget for the 2016-2017 school year.

Mr. Patin asked if there was an update on the reorganization of the District.

Ms. Thorn said the Superintendent and his staff are actively working to produce information and presentations related to AB394.

Mr. Patin asked when the statutory deadline was for the committee to adopt a plan.

Ms. Thorn offered to provide that information to Mr. Patin via email.

Mr. Patin asked if there were any updates on the Board possibly moving to a new governance structure.

Ms. Thorn said she did not have that information.

FUTURE MEETING PLANNING

Motion to hold the next Audit Advisory Committee meeting on Wednesday, June 29, 2016, at 9:30 a.m. at the CCSD Administrative Center in room 466.

Motion: Boyle Second: Mook Vote: Unanimous

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

Mr. Patin said the Committee's June meeting would be the internal audit meeting, and they would review the risk assessment and audit plan. He said a potential topic of discussion would be the delay of the upgraded human capital management system.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 10:28 a.m.

Motion: Boyle Second: Mook Vote: Unanimous