

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, March 12, 2014

9:31 a.m.

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

Pat Skorkowsky, Superintendent of Schools

Also present were: Jim McIntosh, Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Tom Nacos, Director, Purchasing and Warehousing; Cindy Krohn, Executive Assistant to the Board, Board Office; Rosa Reynolds, Budget Assistant, Business and Finance Division; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

**ADOPT AGENDA**

*Adopt agenda.*

*Motion: Mook      Second: Boyle      Vote: Unanimous*

**PUBLIC COMMENT PERIOD**

None.

**APPROVE MINUTES**

*Approval of minutes from the meeting of January 22, 2014.*

*Motion: Boyle      Second: Mook      Vote: Unanimous*

**APPROVE UPDATE ON THE REQUEST FOR PROPOSAL PROCESS RELATED TO THE SELECTION OF, AND POSSIBLE RECOMMENDATION FOR, AN INDEPENDENT AUDITOR FOR THE CLARK COUNTY SCHOOL DISTRICT**

Approval on the Clark County School District's Request for Proposal (RFP) to obtain an independent financial auditor, and for a possible recommendation to the Board of Trustees, as recommended.

**APPROVE UPDATE ON THE REQUEST FOR PROPOSAL PROCESS RELATED TO THE SELECTION OF, AND POSSIBLE RECOMMENDATION FOR, AN INDEPENDENT AUDITOR FOR THE CLARK COUNTY SCHOOL DISTRICT (continued)**

Mr. McIntosh explained that the District is at the end of its contract with the external auditor, and the District is required to go through a Request for Proposal (RFP) process to procure a new external auditor. He said there were three participants in the RFP process, and staff's recommendation was to select Kafoury, Armstrong & Co. as the District's external auditor.

Mr. Patin stated that Ms. Morris was unable to be present but provided him with a written report of her observations of the RFP process, which is provided here as reference material.

Mr. Nacos briefly described the RFP process and gave an update on the process and outcome. He said the highest rated firm was Kafoury, Armstrong & Co., Eide Bailly was the lowest cost firm, and PBTk was the highest cost firm. He said with Kafoury, Armstrong & Co.'s rating being the highest and their cost being reasonable, dropping by approximately 10 percent from the previous year, it was not prudent to go any further in the process.

Mr. Mook said he was surprised that the RFP did not draw larger firms from surrounding areas, and he asked if staff was satisfied with three proposals.

Mr. Nacos responded that sometimes there is some hesitation from private industry to respond to government jobs. He said the ratings were very strong for Kafoury, Armstrong & Co., and the firm performs well and abides by the terms and conditions. He said the 10 percent drop in the firm's cost shows that the firm had a motivation to be selected. He said he would have liked to have seen two more responses.

Mr. Mook asked Mr. Nacos if the same quality of firms responded to the RFP this time as he had seen five years ago.

Mr. Nacos said the previous RFP only drew in two respondents. He said the firm that was highly rated last time chose not to respond this time.

Ms. Boyle asked if any of the other firms give feedback as to why they do not respond to a proposal.

Mr. Nacos said they typically do not.

Ms. Boyle asked if Kafoury, Armstrong & Co. utilizes an internal rotation of partners.

Mr. McIntosh said based on a recommendation in the RFP, Kafoury, Armstrong & Co. would rotate partners.

**APPROVE UPDATE ON THE REQUEST FOR PROPOSAL PROCESS RELATED TO THE SELECTION OF, AND POSSIBLE RECOMMENDATION FOR, AN INDEPENDENT AUDITOR FOR THE CLARK COUNTY SCHOOL DISTRICT (continued)**

Mr. Patin said Kafoury, Armstrong & Co. is not subject to audit rotation because of the size of their firm and the nature of their work, but that the District could request that. He asked Mr. McIntosh if the firm had responded to that request.

Mr. McIntosh said that has not been addressed. He said he would like to hear recommendations from the Audit Advisory Committee.

Mr. Patin said the committee could discuss that at their next meeting, and he would speak with Tamara Miramontes, Audit Manager, CPA, Kafoury, Armstrong & Co., in the interim. He asked Mr. McIntosh if he has been satisfied with the firm's performance and if he has had any problems with the firm.

Mr. McIntosh said the District has been very pleased with the firm's work because of their communication, their familiarity with auditing school districts in Nevada and the Nevada Revised Statutes (NRS), and governmental accounting standards. He said the firm has an office in Reno, Nevada, which has been helpful in interpreting legislation.

Mr. Patin asked Ms. Scott if she had any thoughts about the firm.

Ms. Scott said she has also had a positive experience with Kafoury, Armstrong & Co.

*Motion to accept staff's recommendation that the committee recommend to the Board of School Trustees that they select Kafoury, Armstrong & Co. as the District's independent external auditor.  
Motion: Mook Second: Boyle Vote: Unanimous*

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT CONTROL ENVIRONMENT**

Approval on the Clark County School District's control environment, including assignment of authority and responsibilities.

Mr. McIntosh gave a presentation on the District's control environment. His presentation included Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Mr. Patin asked if Ms. Scott had anything to add to the presentation.

Ms. Scott agreed that the school banks and purchasing cards are high risk areas.

Mr. Mook asked about the human resources (HR) system and why it has not been updated.

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

Mr. McIntosh agreed that it has not been updated due to a combination of cost and the difficulty of conversion given the number of employees. He said the District looked into replacing all of the systems seven years ago, but the District was unable to bring that HR payroll system live at that time. He said the system is over 20 years old, and staff is very concerned about the system. He said the support staff system is probably the most archaic. He said staff is hoping to move forward with replacing the system soon.

Mr. Patin asked how the District mitigates risks to maintain proper controls and segregation of duties through reorganizations and process changes.

Mr. McIntosh said even though the organization changes or the manager of a department or a division changes, the process or system usually does not change.

Trustee Cranor added that the Board would like to get rid of the current system and have something that works better.

## **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.

Ms. Scott gave the quarterly update on the CCSD Audit Department audit plan for fiscal year 2014 as of February 28, 2014. She pointed out that the payroll audit has moved up to being an audit in progress.

Mr. Patin asked Ms. Scott to speak to the anonymous report she received.

Ms. Scott said the issues in the anonymous parent concern letter she received were mainly personnel issues, and she contacted the academic manager for that school who said she also received a copy of that letter and had addressed those issues with the principal and the chief student achievement officer. She said that school was already on the list to be audited, so they were moved up on the list, and the results of that audit were fine.

## **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 including the budget and the budget visualization tool known as "Open Book."

Mr. McIntosh gave an update on the budget process. He said the Superintendent has directed that any new items or initiatives included in the budget must be aligned to the Board's strategic imperatives and the District's work streams focuses, goals, and strategies.

## **APPROVE UPDATE FROM THE CLARK COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT (continued)**

Mr. McIntosh said the Board has been having discussions regarding the District's capital plan and has expressed that they are interested in moving forward in 2016 with a ballot question. He said the District has begun negotiations with the four employee groups, and all contracts are open at this point.

Mr. Mook asked about the requirement for the District to report its share of the unfunded pension liability.

Mr. McIntosh explained the District makes contributions to the Nevada Public Employees' Retirement System (PERS), and that Nevada PERS is required to account for the amount of unfunded liability that it has. He said a new statement from the Governmental Accounting Standards Board (GASB) will require the District to report its share of the unfunded liability in its financial statements beginning next year. He said this is of some concern with the District being the largest government employer in Nevada, and staff is assuming that the District's share is at least one-third of PERS' unfunded liability. He said staff is currently awaiting information from PERS to be certain.

Mr. Patin suggested that once the numbers are more firm, the Committee could receive a formal presentation by Mr. McIntosh or by Kafoury, Armstrong & Co., perhaps in September or January.

Trustee Cranor said the Board has spoken with the Superintendent about the professional development with the Board's need for increased capacity in terms of governance, and that Mr. McIntosh would be providing a briefing to every Board member on a regular basis.

## **FUTURE MEETING PLANNING**

*Motion to hold the next Audit Advisory Committee meeting on June 25, 2014, at 9:30 a.m. at the CCSD Administrative Center in room 466.*

*Motion: Mook      Second: Boyle      Vote: Unanimous*

## **AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS**

Mr. Patin said at the next meeting, the committee would review external auditor independence and qualification and audit shareholder rotation, and they will go over the risk assessments and the audit plan for the upcoming year. He said there would also be an Audit Advisory Committee self-assessment, looking at the bylaws and calendars.

## **PUBLIC COMMENT PERIOD**

None.

**ADJOURN:** 10:22 a.m.

*Motion: Boyle      Second: Mook      Vote: Unanimous*