

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, June 29, 2016

9:38 a.m.

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

Kevin L. Child, Board Liaison

Pat Skorkowsky, Superintendent of Schools

Also present were: Jim McIntosh, Interim Chief Financial Officer, Business and Finance Division; 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, Engagement Partner, Eide Bailly LLP; Lisa Chrapcynski, Administrative Secretary II, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

**ADOPT AGENDA**

*Adopt agenda.*

*Motion: Rogers    Second: Morris    Vote: Unanimous*

**PUBLIC COMMENT PERIOD**

None.

**APPROVE MINUTES**

*Approval of minutes from the meeting of January 27, 2016.*

*Motion: Rogers    Second: Morris    Vote: Unanimous*

**APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Approval regarding timing, status, issues and results of the external audit of the Clark County School District for the fiscal year ended June 30, 2016, as recommended.

Ms. Miramontes provided an update on the auditors' progress, stating that they had begun some interim work and would return in July. She said they were still determining which programs they would need to look at. She said they would perform the final field work in September, and provide a final report no later than October 10, 2016.

**APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (continued)**

Mr. Patin asked if there were any significant changes to the audit team this year.

Mr. Miramontes said there were no significant changes, but they did have new staff members.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT FRAUD RISK EXPOSURE**

Approval regarding the current risks to the Clark County School District from fraud, including discussion of the District's anti-fraud programs, as recommended.

Mr. Patin discussed the fraud triangle concept, which outlines the conditions that must be present for fraud to potentially occur, which are opportunity, pressure, and rationalization. He talked about how those elements could be mitigated or averted. He said the areas that have been potential areas for fraud and theft risk in the past are cash in school banks, purchase cards, and electronic devices. He said a new area of potential concern is the reorganization of the District.

Ms. Morris asked what process or controls are in place for the purchasing card program.

Mr. McIntosh said some of the controls in place for the purchasing card program involve automatic coding to track transactions; merchant category code (MCC); purchase limits; credit card logging in and out, receipts kept onsite and scanning of receipts; and red flag vendors.

Mr. Rogers asked if there was a preapproval process for using the purchasing cards.

Mr. McIntosh explained the procedure for logging out the purchasing cards for use.

Ms. Scott added that before an employee is allowed to use the purchasing card, they are required to submit a District employee agreement form which must be authorized by the school administrator.

Mr. Patin asked Mr. McIntosh to discuss areas of high fraud risk in the District and programs in place to mitigate those risks.

Mr. McIntosh said the purchasing card is one of the areas of highest risk for the District, but staff feels they have some robust controls in place. He said another area of high risk has always been the school bank. He said beyond the controls in place, employee training is important.

Ms. Scott said the Internal Audit Department spends the majority of its time on school audits because they believe that area to be the highest risk. She said the added control of scanning the receipts has been helpful. She added that principals were required to attend mandatory banking training at the beginning of this school year.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT FRAUD RISK EXPOSURE**  
(continued)

Ms. Miramontes said she feels the controls in place are as effective as can be. She said from an external audit perspective, they look at other areas, such as management risk and override of controls, and there have been no red flags.

**APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2016-2017 FISCAL YEAR**

Approval regarding the Clark County School District Internal Audit Department's assessment of risk for the fiscal year 2016-2017, including but not limited to, the general fund and CIP, as recommended in Reference 3.04.

Ms. Scott reviewed the Internal Audit department's Audit Universe with Risk Rankings 2016-2017 as outlined in Reference 3.04, including a Summary of Changes to the FY17 Risk Assessment. She also discussed her process for determining this evaluation; namely, meeting with department and division heads and considering their expressed concerns.

**APPROVE REVIEW OF THE 2016-2017 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT**

Approval of the proposed audit plan of the Clark County School District Internal Audit Department for the 2016-2017 fiscal year and the rolling audit plan, as recommended in Reference 3.05.

Ms. Scott presented the Internal Audit Department Audit Plan for 2016-2017 as outlined in Reference 3.05.

Mr. Rogers asked what percentage or number of schools would be audited annually based on the number of hours allocated.

Ms. Scott said they are able to audit approximately one-third of the schools.

Mr. Rogers asked how that breaks down in terms of the school level.

Ms. Scott said the number of elementary schools is always highest simply because there are more of them.

Mr. Rogers asked if there is more risk at any one school level.

Ms. Scott said because of the amount of money that flows through the high schools, they try to audit the high schools and middle schools once every 1.5 to 2 years and the middle schools every 3 years.

Mr. Patin asked if Vehicle Maintenance and HR – Staffing/Allocation Procedures were on the rolling audit plan last year.

**APPROVE REVIEW OF THE 2016-2017 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT (continued)**

Ms. Scott said they were on the rolling audit plan. She said with relation to the current rolling audit plan, due to the number of school audits, the number of requests, and a lack of resources, staff would not be able to get to as many of the departments as they hope to.

*Motion to accept the audit plan of the Clark County School District Internal Audit Department for the 2016-2017 fiscal year and the rolling audit plan as presented.*

*Motion: Morris Second: Rogers Vote: Unanimous*

**APPROVE REVIEW OF CLARK COUNTY SCHOOL DISTRICT REGULATION 3420, PERIODIC AUDITS**

Approval regarding the review of Clark County School District Regulation 3420, Periodic Audits, as recommended in Reference 3.06. Any changes recommended to Regulation 3420 at this meeting will be brought forward to the Board of Trustees and will not be implemented unless adopted by the public policy review process at a regular meeting of the Board of Trustees.

Mr. Patin said that he has reviewed CCSD Regulation 3420 and did not note any necessary additions or deletions for recommendation to the Board.

Ms. Scott commented that she did not see anything in this regulation that needed to be brought the attention of the Board.

**APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT STAFFING AND QUALIFICATIONS**

Approval regarding the current staffing levels and qualifications of the Clark County School District Internal Audit Department, as recommended.

Ms. Scott said currently there are eight general-funded auditors in her department and herself as the Director, and she would be hiring two bond-funded auditors. She said the University of Nevada, Las Vegas (UNLV) student interns that currently work in the department would continue until December 31 when they graduate. She said six of the eight general-funded auditors hold multiple certifications, and the other two auditors have expressed an interest in becoming certified. She said all of the certified auditors in the department are members of the Las Vegas Chapter of the Institute of Internal Auditors and the Association of Certified Fraud Examiners, and those who are not certified attend the meetings as well.

**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 3.08.

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

Ms. Scott reviewed the Internal Audit Department Audit Plan Update for Fiscal Year 2016 as of June 17, 2016, as outlined in Reference 3.08.

Mr. Patin asked about any anonymous requests or requests that Ms. Scott was unable to perform.

Ms. Scott said there have been no anonymous requests, and the number of requested audits that she has had to decline has been minimal this year. She said talking to the principals during training about the auditing process and available resources has reduced the number of requested audits.

Mr. Patin asked how successful the department was in accomplishing last year's plan.

Ms. Scott said they did very well with both payroll and athletics being substantially completed.

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

Approval regarding an update from the Clark County School District's financial management department on the current and future expected financial conditions, recently issued Governmental Accounting Standards Board pronouncements, the District reorganization (AB 394), the budget, and the District's budget visualization tool known as "Open Book," as recommended.

Mr. McIntosh provided an update on financial conditions, stating that the legislature provided money for CCSD in the current year mainly through categorical funding, but the District's general operating fund was cut this year. He provided the status of the employee contracts, stating that only the teachers currently have a labor agreement in place, the police officers' union was able to negotiate something in fiscal year 2016, but the support staff and administrators' unions have not negotiated anything for fiscal year 2016, and both groups are moving toward arbitration. He said the legislature has provided reauthorization for the District's bond rollover amount. He stated that the District currently has six elementary schools and two replacement schools under construction opening in August 2017 with six more schools in the plan to open August 2018 and another five for August 2019. He said they also have funds that will go toward upgrading technology in the schools.

Mr. McIntosh briefly discussed Assembly Bill (AB) 394, the reorganization of the District. He stated that the Advisory Committee and Technical Advisory Committee were created by AB 394 to develop a plan for reorganizing the District. He said the Advisory Committee hired consultant Michael Strembitsky and said their plan is to move toward an empowerment model.

Mr. Patin cautioned that in terms of internal controls and controls over financial reporting, there are many risks that come with the shifting of roles and duties.

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

Mr. McIntosh said there are compliance and regulatory issues the District must follow, and he believes the finance functions would have to be kept centralized in this reorganization. He said there are also laws the District must follow in terms of purchasing.

Mr. McIntosh added that the property tax cap that was put into effect in 2005 is now capped at .2 percent for commercial property owners and residential homeowners for fiscal year 2017, which is cause for concern for the District, as the property tax is the largest revenue the District receives outside of per pupil funding.

Mr. Patin asked about any recently issued Governmental Accounting Standards Board (GASB) Statements the Committee should be aware of.

Ms. Thorn said recent GASB Statements include GASB 73, an amendment to GASB 68, which was implemented last year, GASB 75, GASB 82, which further amends GASB 68, and potentially GASB 34 to be implemented approximately 5 years from now.

Mr. McIntosh added that there is also GASB 72, whereby the District is required to report the category of investments.

Mr. Patin said with relation to the Board's movement toward Balanced Governance™, if there are any changes to the financial policies, the Committee would be available for assistance.

**FUTURE MEETING PLANNING**

Approval for future meetings of the Audit Advisory Committee.

*Motion to hold the next Audit Advisory Committee meeting on Wednesday, September 28, 2016, at 9:30 a.m. at the CCSD Administrative Center in room 466.*

*Motion: Rogers Second: Morris Vote: Unanimous*

**AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS**

Mr. Patin said the Committee's next meeting would focus on the Committee's annual performance review and calendar review and the process to review the Comprehensive Annual Financial Report (CAFR).

**PUBLIC COMMENT PERIOD**

None.

**ANNOUNCEMENT**

Mr. Patin stated that Anthony Mook would not be reapplying to serve on the Audit Advisory Committee, and he thanked Mr. Mook for his service. He said Ms. Morris would be applying for reappointment.

**ADJOURN:** 10:44 a.m.

*Motion: Rogers    Second: Morris    Vote: Unanimous*