

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

AUDIT ADVISORY COMMITTEE

Wednesday, August 28, 2013

9:33 a.m.

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

Pat Skorkowsky, Superintendent of Schools

Also present were: Jeff Weiler, Chief Financial Officer, Business and Finance Division; Jim McIntosh, Deputy Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, External Relations Unit; Tamara Miramontes, Audit Manager, CPA, Kafoury, Armstrong & Co.; Daniel Rushin, Senior Audit Manager, CPA, Kafoury, Armstrong & Co.; Cindy Krohn, Executive Assistant to the Board, Board Office; and Stephanie Gatlin, Transcriber/Recording Secretary.

ADOPT AGENDA

Adopt agenda.

Motion: Rogers Second: Mook Vote: Unanimous

ELECTION OF CHAIRPERSON

Approval on the election of a Chairperson for the Clark County School District Board of Trustees Audit Advisory Committee for the 2013-2014 fiscal year.

Ms. Boyle nominated Mr. Patin for chairman of the Audit Advisory Committee.

Ms. Morris seconded the nomination.

Motion to close nominations.

Motion: Rogers Second: Mook Vote: Unanimous

Vote to elect Patrick Patin as chairman of the Audit Advisory Committee was unanimous.

ADOPTION OF A MOTION DIRECTING THE CHAIR TO MEET WITH THE INDEPENDENT EXTERNAL AUDITOR INDEPENDENTLY FROM ADMINISTRATION AND INTERNAL AUDITORS FOR THE 2013-2014 FISCAL YEAR

Adopt a motion directing the Chair to meet with the independent external auditor independently from administration and internal auditors on behalf of the Audit Advisory Committee as recommended.

Motion directing the chair to meet with the independent external auditor independently from administration and internal auditors for the 2013-2014 fiscal year.

Motion: Rogers Second: Morris Vote: Unanimous

ADOPTION OF A MOTION DIRECTING THE CHAIR TO MEET WITH THE DIRECTOR OF INTERNAL AUDIT INDEPENDENTLY FROM ADMINISTRATION AND EXTERNAL AUDITORS FOR THE 2013-2014 FISCAL YEAR

Adopt a motion directing the Chair to meet with the Director of Internal Audit independently from administration and external auditors on behalf of the Audit Advisory Committee as recommended.

Motion directing the chair to meet with the Director of Internal Audit independently from administration and external auditors for the 2013-2014 fiscal year.

Motion: Mook Second: Rogers Vote: Unanimous

NEW AUDIT ADVISORY COMMITTEE MEMBER ORIENTATION AND TRAINING

Introduction of committee members and District staff and discussion regarding the Audit Advisory Committee Bylaws and Calendar, an update on the current activities of the committee, and a brief discussion of the Nevada Open Meeting Law to be led by the Chair.

The committee members, District staff, and Kafoury, Armstrong & Co. staff introduced themselves and gave a brief description of their backgrounds.

Trustee Cranor talked about her role as the Board's liaison to the Audit Advisory Committee and how the committee and the Board work together as the Board strives to improve its governance.

Mr. Patin spoke about how the committee operates under the Open Meeting Law (OML) and the function and intent of the committee. He went over the committee's Bylaws and Calendar and Responsibility Calendar in Reference 2.04.

APPROVE MINUTES

Approval of the minutes from the committee meeting of March 20, 2013.

Motion: Rogers Second: Boyle Vote: Unanimous

APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Approval regarding timing, status, issues and results of the external audit of the Clark County School District for the fiscal year ended June 30, 2013.

Ms. Miramontes provided a status update of the external audit of the District and the schedule moving forward. She said the auditors will begin field work on Tuesday, September 3, and that as of today they have completed their interim procedures, including extensive testing over payroll and have not identified any control deficiencies. She said the auditors have begun their single audit mode, which involves federal programs, and so far have not identified any control deficiencies or material weaknesses that need to be written up as audit findings, but final procedures will be conducted in September.

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.

Mr. Patin briefly reviewed the "fraud triangle," stating that if all elements – a perceived pressure, an opportunity, and rationalization – are present, it could potentially lead to fraud. He said traditionally theft occurs at the schools, and there are concerns regarding the large amounts of cash that go through the schools. He said he believes that in the schools there is the pressure to do more with less, to find more sources of funding, and to raise student achievement.

Ms. Miramontes said the auditors have noted areas of concern being reported misuse of school funds and hiring practices. She said they traditionally look at journal entries, management, manipulation of financial statements, and they review internal audit's school banking reports.

Ms. Scott said internal audit considers the cash that goes through the school banks to be the highest risk, and they focus the majority of their audits on school banks. She said they provide training to school bankers, office managers, and school administrators in an effort to be proactive in terms of fraud awareness. She said they occasionally find fraud through performing regular audits, and they are notified of fraud in various ways, as well.

Mr. McIntosh agreed that the biggest area for fraud is the school banks, but the District's controls outside of the financial audits is heavily monitored and audited.

Trustee Cranor talked about the Executive Limitation (EL) policies and the Board's governance structure and how that directs the Superintendent to achieve results within the boundaries of the ELs.

Ms. Morris asked about the procedure for monitoring the awarding of contracts.

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

Mr. Weiler explained that all non-facility related contracts over \$50,000 and all facility contracts over \$100,000 go to the Board for approval, and all contracts go through a fairly rigid public process. He said the District is also in the process of splitting out some of the procurement functions.

Ms. Morris asked if internal audit conducts operational audits over the awarding and monitoring of contracts.

Ms. Scott said the internal audit department conducts very limited departmental or operational audits because of the size of the District and the number of schools in comparison to the size of the audit department.

APPROVE REVIEW OF THE RISK ASSESSMENTS OF THE CLARK COUNTY SCHOOL DISTRICT FOR THE 2013 – 2014 FISCAL YEAR

Approval regarding Clark County School District Internal Audit Department's assessment of risk for the fiscal year 2013 – 2014, including but not limited to, the general fund and the Capital Improvement Program.

Ms. Scott went over the Audit Universe with Risk Rankings. In terms of "Change of Personnel or Operations," she said this document was developed last fiscal year, and the recent changes in personnel will be taken into account at the next fiscal year.

Mr. Patin asked Ms. Scott to discuss changes in the risk assessment from the prior year to the current year.

Ms. Scott said the most significant change would be in relation to Facilities and the Capital Improvement Program or the bond fund program and the changes due to the ramp down of the bond program with bond-funded areas and positions being either dissolved or absorbed into other areas of the District. She said those changes did not cause any significant shifts in the risk rankings, however.

Motion to accept the risk assessment for the 2013-2014 fiscal year.

Motion: Rogers Second: Morris Vote: Unanimous

APPROVE REVIEW OF THE 2013 – 2014 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 2013 – 2014 fiscal year and the rolling audit plan.

Ms. Scott presented the Rolling Audit Plan and the allocation of available audit hours.

APPROVE REVIEW OF THE 2013 – 2014 AUDIT PLAN OF THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT (continued)

Mr. Patin asked Ms. Scott if there had been any significant changes in the allocation of audit hours from last year to this year.

Ms. Scott said this year the hours were increased in the school bank audits in order to catch up on those audits and in the training time with two new interns in the department.

Motion to recommend approval of the Audit Plan for the 2013-2014 fiscal year.

Motion: Mook Second: Rogers Vote: Unanimous

APPROVE REVIEW OF THE CLARK COUNTY SCHOOL DISTRICT REGULATION 3420

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

Ms. Scott reviewed the internal audit charter. She explained that in order to be able to state in the charter that the Internal Audit Department audits in accordance with the international standards set forth by The Institute of Internal Auditors, internal audit must undergo an external quality assessment review every five years.

Ms. Morris asked what the results of the last assessment were.

Ms. Scott said the Internal Audit Department received the highest ranking along with some suggestions for improvement.

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 provided an update on the Audit Plan for Fiscal Year 2014.

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".

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

Mr. McIntosh said as required under state statute, District staff has prepared two of three budgets, the tentative budget and final budget, and is currently working on the amended final budget for the current year. He explained that this is the first year of the biennium for the District as the legislature meets once every other year and determines the District's funding for the next two years. He said in terms of employee contracts, the District's largest expenditure is salary and benefits being approximately 88 percent of the budget, and the fiscal year has begun without three of the four contracts in place. He said that fiscal year 2013 will be the final year in Kafoury, Armstrong & Co.'s five-year contract, and CCSD will begin the Request for Proposal (RFP) process for an external auditor very soon. He briefly talked about the District's online budget visualization tool "Open Book."

Mr. Mook asked if the District is required to select a different external auditor.

Mr. McIntosh said there is no statutory requirement that there be a rotation of auditors, and Kafoury, Armstrong & Co. has been the District's external auditor for 15 years with the contract being awarded for five-year periods renewable at the end of the contract.

FUTURE MEETING PLANNING

Motion to hold the next Audit Advisory Committee meeting on October 16, 2013, 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 at the next meeting, the committee would possibly be discussing the Board's fiscal governance structure and would be hearing internal audit and external audit updates. He said sometime in November the committee would be having their annual joint meeting with the Board.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 11:01 a.m.

Motion: Rogers Second: Mook Vote: Unanimous