

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
EDWARD A. GREER EDUCATION CENTER, BOARD ROOM
2832 E. FLAMINGO ROAD, LAS VEGAS, NV 89121

JOINT MEETING WITH AUDIT COMMITTEE

Wednesday, November 18, 2009

9:00 a.m.

Roll Call: Members Present

Terri Janison, President
Sheila R. Moulton, Clerk
Deanna L. Wright, Member
Dr. Linda E. Young, Member

Members Absent

Carolyn Edwards, Vice President
Chris Garvey, Member
Larry P. Mason, Member

Dr. Walt Rulfes, Superintendent of Schools

Audit Committee Members Present

Joe R. Saucedo, Jr., Chairperson
Craig Bilotta, Member
Erlinda B. Penaflor, Member
Warren Kim, Member

Member Absent

Donald R. Layton, Member

Also present were: Mark Wood, Board Counsel, District Attorney's Office; Bill Hoffman, General Counsel, Legal Department; Lauren Kohut-Rost, Deputy Superintendent, Instruction Unit; Jeffrey Weiler, Chief Financial Officer, Operations Support Unit; Jim McIntosh, Deputy Chief Financial Officer, Accounting Department, Operations Support Unit; Cindy Krohn, Executive Assistant, Board Office; Elizabeth Carrero, Secretary to the Superintendent, Superintendent's Office; Lisa Chrapcynski, Administrative Secretary II, Board Office; Tamara Miramontes, CPA, Kafoury, Armstrong & Co.; Michael Biel, CPA, Kafoury, Armstrong & Co.; and Stephanie Gatlin, Transcriber/Recording Secretary, Board Office.

ANNOUNCEMENTS

Trustee Janison noted that Trustee Edwards would not be present because she was attending a County Commissioners' meeting at the request of the Superintendent.

Mr. Saucedo noted that Mr. Layton was out of town and would not be in attendance.

ADOPT AGENDA

Adopt agenda.

Motion: Moulton Second: Young Vote: Unanimous

The Audit Committee opened their meeting with a unanimous vote.

PUBLIC HEARINGS ON AGENDA ITEMS/RESPONSE TO PUBLIC COMMENT

None.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Presentation and discussion of the annual Independent Auditor's Report for the Fiscal Year Ended June 30, 2009, by representatives from Kafoury, Armstrong & Co.

Ms. Miramontes covered sections one through five of the Annual Independent Auditor's Report for the Fiscal Year Ended June 30, 2009. The report included the Opinion of Financial Statements; Internal Control Over Financial Reporting; Compliance with laws, regulations, and contracts; and major federal programs.

Trustee Young asked, with reference to page 225 of 253, if there was any reference made in the report in relation to past notations or findings.

Ms. Miramontes answered yes, if there were any significant deficiencies or material weaknesses that carried forward, they would be addressed here. She added that the presentation does include present year recommendations as well as prior year recommendations. She explained that issues that are not significant but warrant attention are addressed in a separate report.

Trustee Young asked how far back the report would go.

Ms. Miramontes stated the report would only go back one year, but if there was an ongoing issue, it would be noted in the current year report. She continued with her presentation, discussing the report on major programs.

Trustee Moulton inquired about the procedure for testing 25 percent of the District's expenditures.

Ms. Miramontes explained that there is a list of 14 identified compliance requirements the auditors go through.

Mr. Saucedo clarified that the amount would be 25 percent of the dollars spent, not 25 percent of the programs.

Trustee Young asked if there is a priority process of how the 25 percent is selected.

Ms. Miramontes stated it is risk-based. She continued with her presentation of the report, stating in the auditors' opinion, the District complied with all 14 requirements related to the expenditures. She moved on to the Auditor's Comments on page 238, which addressed current year statute compliance and status of prior year statute compliance. She noted that there were expenditures over the budgeted amount for Vegas PBS in Note 11.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (continued)

Mr. McIntosh explained that in the construction of the Vegas PBS facility in reference to Note 11 – Compliance and Accountability on page 84 of 253, there were some cost increases, and the expenditure exceeded the budgeted amount, which Vegas PBS agreed to pay for.

Ms. Miramontes continued with the Auditor's Comments, and the Independent Accountant's Report on page 239 of 253.

Mr. Biel began his portion of the presentation, discussing prior year recommendations, focusing on school banks.

Trustee Young asked in terms of the school banks certification process, what the status was on that process.

Ms. Miramontes stated this is a continued finding.

Mr. Biel continued, discussing an update of Communication Between Accounting Departments on page 242 of 253.

Trustee Janison asked for clarification of the different accounting offices.

Mr. McIntosh explained that there are several accountants in the District that work in different offices, including Vegas PBS and the Food Service Department who typically report to the administrators of those departments as opposed to the Accounting Department so there had been some communication issues. He stated as a resolution there are now regular meetings and a month-end closing process.

Mr. Biel continued with the presentation, discussing the Issue/Change Control Requests (CCR), Security Management, SAP Upgrades, and Disaster Recovery Plan Updating.

Trustee Janison noted that these reports are ongoing and asked if there is a final ending date to any of them.

Mr. Weiler stated resources and time are reasons that some things are not able to be completed as of yet.

Dr. Rulfes stated that at some point expenditures would have to be allocated to support the information systems to ensure the safety of the data.

Trustee Moulton noted that perhaps it may be possible to use some of the stimulus dollars.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (continued)

Mr. Biel continued with the prior year recommendations, discussing Restrictions to SAP Tables. He talked about current year management comments regarding school banks. He went on to current recommendations regarding Data Risk Ranking, SAP Upgrades, Disaster Recovery Plan Updating, and Service Level Agreements.

Mr. Saucedo stated that regarding internal auditors in the schools, some of those issues have been addressed in the Audit Committee meetings, and the committee has requested information, and they would be reviewing that information, as well as the banking manual they received.

Trustee Wright asked how long the committee had been reviewing the school banking system.

Mr. Saucedo stated the committee is newly formed, and the school banking procedure has been discussed in two of their meetings.

Trustee Wright asked if the committee had been making recommendations for the school banking system.

Mr. Saucedo answered that up to this point, the committee had only been reviewing the process.

Trustee Wright cautioned that the funds on school campuses need to be carefully monitored.

Trustee Moulton suggested that at a future meeting or work shop Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff, could report to the Board as she has done for the Audit Committee in the past.

APPROVE INDEPENDENT AUDITOR'S NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2009, AND INDEPENDENT AUDITOR'S STATEMENTS ON NEVADA REVISED STATUTE COMPLIANCE

Approval to accept the District's responses to the independent auditor's recommendations for the fiscal year ended June 30, 2009, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and approval to accept the independent auditor's statements on NRS compliance for the fiscal year ended June 30, 2009, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245, as recommended in Reference 3.02.

Mr. McIntosh asked that the Board accept the District's responses to the auditor's recommendations in the Management Letter and to accept the auditor's statements on compliance with state statutes, including the necessary corrective action letter to the Department of Taxation and the reports in the Comprehensive Annual Financial Report (CAFR).

APPROVE INDEPENDENT AUDITOR'S NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2009, AND INDEPENDENT AUDITOR'S STATEMENTS ON NEVADA REVISED STATUTE COMPLIANCE (continued)

Motion to accept.

Motion: Moulton Second: Wright

Trustee Moulton asked for the Audit Committee's reflection of the external auditors and of the report presented.

Mr. Saucedo stated the committee had met with the external auditors previously, where the auditors informed the Audit Committee of their approach to the audit and their progress periodically. He asked for any information that had not been previously disclosed.

Mr. McIntosh directed the Board's and committee's attention to Note 18 on page 88 of 253.

Mr. Kim referenced page 31 of 253 and asked if the information reflects a change in the estimate or a change in accounting principle.

Mr. McIntosh explained that there was a change in accounting principle in a prior year, which was reflected in the 2008 figures, and that the revenue change should have been reflected as a prior period adjustment.

Ms. Miramontes explained that the interpretation of what the contract was changed.

Mr. Kim continued to ask for clarification.

Mr. McIntosh stated the decision was made to report the revenue in this manner as a prior period adjustment.

Ms. Miramontes clarified that they are not showing the \$12 million revenue in one year, but are showing \$6 million for the current year and \$6 million as a previous year's revenue.

Trustee Young asked if reporting items in later years violates Board policy.

Ms. Miramontes stated it is not Board policy but is accepted accounting principles.

Trustee Young asked how a similar situation would be addressed in the future if necessary.

APPROVE INDEPENDENT AUDITOR'S NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2009, AND INDEPENDENT AUDITOR'S STATEMENTS ON NEVADA REVISED STATUTE COMPLIANCE (continued)

Ms. Miramontes explained that changes and adjustments would be made in the future, and the District would be audited to ensure compliance, but the school Board policies cannot govern accounting policies.

Mr. McIntosh brought to the Board's attention Note 19 on page 88 of 253, identifying a Subsequent Event, which was a 5 percent decline in the District's investment portfolio.

Vote on Trustee Moulton's motion was unanimous.

The Audit Committee adjourned their meeting unanimously at 9:59 a.m.

AUTHORIZE 2008-09 RECAP OF BUDGET APPROPRIATION TRANSFERS

Authorization to include the Recap of Budget Appropriation Transfers Between Governmental Functions for the period beginning July 1, 2008, and ending June 30, 2009, in the official Board minutes, as recommended in Reference 3.03.

Mr. McIntosh presented the Recap of Budget Appropriate Transfers.

Trustee Janison inquired about the increase in Student Transportation Services by \$6 million, and a decrease of \$4 million in Operation & Maintenance Services.

Mr. Weiler answered the increase was due to bus purchases and fuel cost increases.

Mr. McIntosh stated that staff recognizes savings in various areas, and there were some minor utilities savings.

Motion to accept.

Motion: Young Second: Moulton Vote: Unanimous

POLICY GOVERNANCE REVIEW

Presentation and discussion of the annual independent auditor's report on assessment of compliance with Board Governance Policies EL-5: Financial Planning/Budgeting; EL-6: Financial Condition and Activities; EL-8: Asset Protection; and EL-9: Compensation and Benefits, by representatives from Kafoury, Armstrong & Co.

Ms. Miramontes presented Kafoury, Armstrong, & Co.'s audit findings in regards to EL-5: Financial Planning/Budgeting; EL-6: Financial Condition and Activities; EL-8: Asset Protection; and EL-9: Compensation and Benefits. She stated the auditors addressed each compliance issue, and determined that the CCSD and the Superintendent were in compliance in all areas.

POLICY GOVERNANCE REVIEW (continued)

Trustee Moulton stated this unique audit gives the Board an external perspective of their monitoring reports. She commended staff for their management and leadership during this difficult financial crisis.

Mr. Weiler stated the District goes through another type of audit, which is the bond ratings, and he recognized all those involved in the process.

APPROVE MONITORING REPORT – EL-5: FINANCIAL PLANNING/BUDGETING – 2008-2009

Approval regarding the monitoring report for Governance Policy EL-5: Financial Planning/Budgeting – 2008-2009, as recommended in Reference 4.01.

Motion to accept in compliance.

Motion: Moulton Second: Wright Vote: Unanimous

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2008-2009

Approval regarding the monitoring report for Governance Policy EL-6: Financial Condition and Activities – 2008-2009, as recommended in Reference 4.02.

Motion to accept in compliance.

Motion: Moulton Second: Young

Trustee Moulton inquired about allowing the ending fund balance to fall beneath 2 percent.

Mr. McIntosh explained that for fiscal year 2009, the ending fund balance had been preserved; that the Board waived the policy for fiscal year 2010; and that staff had budgeted as though it would be dropped to 1 percent. He stated there is a larger fund balance than originally projected for 2009 to carry over into 2010 but recommended that the fund balance be kept at the 1 percent because portions of the fund balance are being designated to carry over into 2011 to assist with additional revenue shortfalls.

Trustee Moulton asked if it would be staff's recommendation to allow the waiver for the ending fund balance to fall beneath the 2 percent as outlined on page 2 of 5.

Dr. Rulfes suggested that the Board keep in mind that as next year's budget and the budget for the year beyond are developed, staff may need to request an extension of the waiver to allow the balance to fall beneath 2 percent although currently, the 2 percent balance has been maintained. He stated he felt the ending fund balance is a decision the Board makes annually.

Trustee Moulton recommended that the Board find the Superintendent in compliance and then address the ending fund balance as necessary.

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2008-2009 (continued)

Trustee Janison asked, with reference to the Superintendent's interpretations, if Dr. Rulffes relied on the assessments of Kafoury, Armstrong & Co.

Dr. Rulffes stated staff determines that CCSD is in compliance, which is then confirmed by the auditors.

Trustee Moulton offered that in her opinion, the Superintendent's interpretations reflect that the Board and Superintendent are in agreement.

Trustee Young stated her interpretation was that the internal process supervised by the Superintendent is assessed by staff and then reviewed and confirmed by the auditors.

Ms. Miramontes clarified that Kafoury, Armstrong & Co. does not review CCSD staff's monitoring process or reports; that Kafoury, Armstrong & Co.'s process is independent of the District's; and that Kafoury, Armstrong & Co. only reviews CCSD's data as part of the auditing process.

Vote on Trustee Moulton's motion was unanimous.

APPROVE MONITORING REPORT – EL-8: ASSET PROTECTION – 2008-2009

Approval regarding the monitoring report for Governance Policy EL-8: Asset Protection – 2008-2009, as recommended in Reference 4.03.

Motion to accept in compliance.

Motion: Wright Second: Moulton Vote: Unanimous

APPROVE MONITORING REPORT – EL-9: COMPENSATION AND BENEFITS – 2008-2009

Approval regarding the monitoring report for Governance Policy EL-9: Compensation and Benefits – 2008-2009, as recommended in Reference 4.04.

Motion to accept in compliance.

Motion: Young Second: Wright Vote: Unanimous

APPROVE BUDGET REVIEW

Approval of assumptions and conditions for the development of the 2009-10 Revised Amended Final Budget, development assumptions for the 2010-11 Tentative Budget, and future budget development process, as recommended in Reference 4.05.

Mr. McIntosh stated staff is asking that the Board approve the conditions and assumptions that have been used in the development of the fiscal year 2010 revised amended final budget. He went over the budget review and major changes outlined in Reference 4.05.

APPROVE BUDGET REVIEW (continued)

Trustee Moulton asked if the District has a plan for the \$8.7 million described on page 1 of 7 of Reference 4.05.

Mr. McIntosh stated increases in revenue are mostly being placed in the fund balance to carry over into next year.

Trustee Moulton asked if the increase in the state's Distributive School Account (DSA) funding of \$154 per student could be taken back by the legislature in an interim session.

Mr. McIntosh stated that it is possible for the legislature to ask for some of those dollars back.

Trustee Moulton asked Dr. Rulfes for his opinion of the likelihood of that happening.

Dr. Rulfes explained that the budget is developed on the basis of the assumptions, and if an assumption changes, it could have an impact on the rest of the assumptions, and change is very likely.

Trustee Janison asked for clarification of "other local revenues."

Mr. McIntosh explained that the indirect cost fund was moved into the general fund, and because of the increase in American Recovery and Reinvestment Act (ARRA) funding, there is an expected increase in additional indirect costs. He continued with his presentation, discussing the changes from the amended final budget to the revised amended final budget and some information regarding the general operating fund overview and fund balance.

Trustee Wright asked that a presentation on the school banking process be given to the Board sometime in January.

Motion to accept.

Motion: Moulton Second: Young Vote: Unanimous

PUBLIC HEARINGS ON NON-AGENDA ITEMS

None.

ADJOURN: 10:33 a.m.

Motion: Young Second: Wright Vote: Unanimous