

**The Escambia County School District**  
**Audit Committee Meeting**  
**Minutes, May 26, 2004**

- I. Mike Adkins, Chair, called the meeting of the Audit Committee to order at 5:30 p.m. in Conference Room B of the Vernon McDaniel Building, 215 West Garden Street, Pensacola, Florida 32502. Committee members in attendance were: Betsy Bowers, Kathy Langley and Earl Lee. Others in attendance were: Scott Woody, Acting Director, Internal Auditing; Board members, Linda Finkelstein and John DeWitt; District staff members, Barbara Linker, Doug Garber and Laura Shaud; one person from the public; and Susan Reed, recording the minutes. Committee member not in attendance was Aleta Hudson.
- II. The Committee adopted the agenda.
- III. There was no public input.
- IV. The April 5, 2004, meeting minutes were approved as submitted.
- V.
  - A. Mr. Woody reported the list of completed internal funds audits included three being resubmitted due to questions raised at the last meeting. He reviewed the Committee's concerns regarding each. The O J Semmes audit was approved. The Committee also approved the West Pensacola audit, recommending the monies raised for the Broadcast system that were not used should be given to the District as reimbursement of District monies paid to help with this purchase. The Escambia Westgate audit was approved with the inclusion of a finding regarding controls for donation accounts. The remaining audits were also approved. Mr. Adkins reemphasized the need to improve controls regarding segregation of duties noted on audit reports. Mr. Woody stated that elementary schools do not have the staff to remedy this problem. In addition, he reported the need to have separate accounts for George Stone and West Florida High School and to discontinue the commingling of high school and adult education funds/fees. In regard to internal funds audits submitted to the Board, the Committee recommended submittal of a memo to request the Board's input as to the type of information that should be contained in these reports (e.g., a full financial analysis, a general report with audit findings or an executive summary.)
  - B. Due to his business relationship with several of the charter schools, Mr. Adkins turned over the chair to Betsy Bowers. Mr. Woody presented the following charter school audits:
    1. Beulah Academy Charter School: Mr. Woody reported recommendations made by the Committee at the April 5, 2004 meeting had been added to the report. He stated the school was doing a commendable job and noted they have the same problem as District schools regarding segregation of duties.

2. Byrneville Elementary Conversion Charter School: Mr. Woody discussed this report noting the addition of the Committee's recommendations made at the April 5, 2004 meeting. The need for an enhanced accounting system was discussed and Mr. Woody mentioned the need for a follow-up. Mr. Adkins stated there should be timely financial reporting. Laura Shaud, Budgeting Director stated that with no penalty for late reporting it is difficult to get the charter schools to send reports in a timely manner. She indicated that some districts withhold funds as a penalty.

3. Escambia Charter School: Mr. Woody reported that his report contained the same findings as reported by the State Attorney's Office. His concerns regarding student classroom time had been brought to staff and discussed with the State FTE Auditor. Mr. Woody stated there had also been a problem with certification of two teachers.

4. Jacqueline Harris Pyramid School of Learning (JHPSL): Mr. Woody discussed this school and whether there was an arm's length transaction regarding lease payments being made to Creative Projects LLC. He stated that previously, during the Executive Director's tenure as President of the Pensacola Family Care for Youth, the cooperation had been written up for not having an arms length transaction. Mr. Woody had spoken to the new Board Attorney, Ellen Odom, and suggested they meet to go over this audit to get her opinion. In addition, he planned to review all the Charter School audits with her so that she would be aware of the reports' contents. Mr. Woody continued with the JHPSL report stating that the leased property was sold to Creative Projects LLC with whom JHPSL entered into a lease agreement. It appears that if the school was to discontinue functioning as a charter school, the property would not revert back to the District as desired since it was not sold to JHPSL. There was also the appearance of a related party transaction; a charter school board member had renovated the building. During the discussion, it was also noted that the Executive Director of the JHPSL has connections with Creative Projects LLC as well as New Road to Learning, Inc. and Pensacola Family Care for Youth as shown in the requested chart, which was added to the report.

Mr. Adkins suggested adding a recommendation to the report for further analysis by the Board Attorney. He also recommended a closer review of monthly financial statements by staff. In response to the need for annual audits of charter schools, Laura Shaud, Budgeting Director stated that OPPAGA (Office of Program Policy Analysis and Government Accountability) will be auditing charter schools this year.

5. Ruby J. Gainer Charter School: Mr. Woody reported a problem with attendance record keeping at this school. He stated that a regular District school with the same problem would be at risk of losing FTE funding. During Committee discussion of the report, Mr. Woody said the original report had been

shortened and he had reviewed comments of the lengthier report with the auditee. Mr. Woody reported that the school has had a year to correct any problems. Accordingly, it was noted that the school's response contained the correction of a problem regarding an insurance policy.

Kathy Langley, Committee member, recommended adding the insurance response to the subsequent events.

Motions and seconds were made to approve each charter school audit as presented.

- C.
1. Mr. Adkins reported that he had sent a letter at her request to Ms. Stidham, Board Chair, to clarify the Committee's recommendation regarding the Internal Auditing Director. He commented that a request to resign should be done prior to/instead of a request for a DOA hearing. In reference to a recommendation for changes to the Internal Auditing Director job description, Linda Finkelstein, Board member, stated that the position was being advertised. It was determined that changes to the job description would not be in order at this time. John DeWitt, Board member, commented that the Audit Committee would be conducting the interviews and making a recommendation to the Board for approval of a new director.
  2. Mr. Woody stated that a draft of the department budget had been submitted. He reported that he had not been able to justify the Committee's recommendation to request additional funding of \$1,000 for software.
  3. Mr. Woody reported he had received two audit/review requests, one from a Board member and one from the Superintendent. He stated the requests seem narrow focused and Internal Auditing was not planning to proceed until internal funds were completed.
- VI.
- A. Mr. Adkins introduced Dr. Garber, Assistant Superintendent Human Resources Services. Dr. Garber responded to recommendations made by the Committee in reference to a draft ethics policy discussed at a prior meeting. He gave a brief background of the policy's development including committee composition, which included union representation, and review of ethics policies from all over the country. Dr. Garber stated the policy was written as a guide for acting appropriately while conducting daily work at all levels with no punitive action. The policy will be condensed into a user-friendly brochure, which would be reviewed annually by each employee in conjunction with OSHA training. Dr. Garber explained the brochure would include clarity for acceptable work practices. Committee member, Earl Lee, recommended having a compliance program officer as a way to protect the whistle-blower. Committee members, Betsy Bowers and Kathy Langley made suggestions of possible sources for reporting complaints. The Committee thanked Dr. Garber and his Committee for their work and for giving the Audit Committee the opportunity to make recommendations.
  - B. Mr. Adkins announced his term as Chair for the Audit Committee would end June 30, 2004 after an extension of one year. In addition, Betsy Bower's term ends June 30 as

well. She is the Board's appointee and stated she has asked someone to consider serving on the Committee. Mr. Adkins asked the Committee to be looking for a new Chairperson.

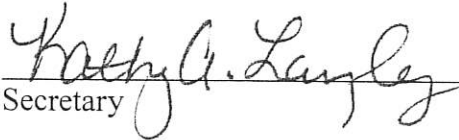
- VII. Mr. Adkins announced the advertisement of the Auditing Director's position with a deadline of June 7, 2004. Discussion followed to determine the Committee's involvement in the selection of the new Director.

Mr. Woody stated that field work for most of the remaining internal funds audits is or will be completed by June 9, 2004, which is the last work day for secretaries and bookkeepers. Four elementary schools and one middle school remain to be audited. Those with completed field work still require write-ups.

Mr. Woody announced he had sent a letter to update the Board and Superintendent referencing the Jacqueline Harris Charter School's audit. He expressed his concerns regarding the Internal Auditing Department's charter wording that audits become public record once presented to the Board. Mr. Woody believed audits and reviews should be public record when presented to the Audit Committee.

- VIII The next meeting will be in June to interview for the Director of Internal Auditing.

- IX. Mr. Adkins adjourned the meeting at 6:50 p.m.

  
Secretary

\_\_\_\_\_  
Chairman