

**The Escambia County School District**  
**Audit Committee Meeting**  
**Minutes, June 22, 2006**

- I. Fred Hurd, Chair, called the meeting of the Audit Committee to order at 5:02 p.m. in Conference Room B of the Vernon McDaniel Building, 215 West Garden Street, Pensacola, Florida 32502. Other committee members in attendance were: Earl Lee, Jennifer King, Virginia Yeagle and Bill Cox. Those also present were: David Bryant, Interim Director, Internal Auditing; Laura Shaud, Director, Budgeting; John Dombroskie, Director, Purchasing; Michele Kiker, Benefits Analyst & former Internal Auditor; Diane Martinez, Co-op Student and Susan Reed, recording the minutes.
- II. The Committee adopted the agenda.
- III. Mr. Hurd asked if there was any public input; no one responded.
- IV. The minutes for the May 9, 2006 meeting were approved.
- V. Items from Internal Auditing
  - A. Mr. Bryant presented three (3) completed internal funds audits for fiscal year ending June 30, 2005 with findings, which included Brentwood Middle School, Carver-Century K-8 School and O. J. Semmes Elementary School. In addition, he presented eighteen (18) audits for fiscal year ending June 30, 2005 without findings.

Mr. Bryant reported the findings of two audits, which included not following procedures for fundraising activities and Outside Support Organizations. In addition, he reported the Brentwood Middle School Audit included a finding for not following procedures for prior approval of disbursements. Mr. Bryant discussed the finding stating requests for purchase forms were not completed 80% of the time. He reported reasons for doing a request for purchase were discussed with the principal and bookkeeper.

Ms. Yeagle shared concerns regarding a principal's response of not being aware of Outside Support Organization policies and procedures and guidelines for fundraising activities. Mr. Bryant stated problems identified during the year could be addressed at Principal Meetings at the beginning of the next year. Suggestions were made to do this periodically and consider presenting procedure outlines. It was also suggested to make spot checks at schools to see if policies are being followed. The Committee suggested presenting an annual Exit Summary to the District at the end of each fiscal year, which includes findings noted during the audits for that year.

The Committee discussed the possibility of the Auditing Department writing procedures to correct findings. Ms. Shaud stated it would be inappropriate for the Auditing Department to write procedures since that is an operational function.

Mr. Lee asked if there had been progress regarding the Segregation of Duties finding since the Board had requested the Superintendent address that problem. Mr. Bryant stated he was unaware of the District's progress concerning that issue. Mr. Bryant also reported some districts, with the same internal controls, do not receive this finding. He indicated he would research whether this finding is necessary.

A motion was made by Earl Lee, seconded by Jenny King and passed unanimously to accept the internal funds audits as presented.

Mr. Bryant stated all 2004-2005 internal funds audits had been submitted to the Committee as of this meeting.

- B. Mr. Bryant reported he had participated in several investigations. He requested the Committee's guidance in handling future requests. The Committee agreed involvement in other audits/investigations should be reported but approval would not be necessary for those that fit into hours allotted for other audits of the annual work plan. They also agreed audits affecting the annual audit work plan should be brought to the Committee and in some cases to the Board for prior approval.
- C. Mr. Bryant stated risk concerns suggested by Ms. Barbara Linker, Assistant Superintendent Finance, and her staff would be added to the Risk Assessment and considered for inclusion in the annual work plan. In addition, he also stated he would add issues noted in the District Audit and an e-mail request received from Walt Gordon, Manager, Inventory and Warehouse Operations. Mr. Bryant also reported he planned to follow up with phone calls to letters sent requesting input to the risk assessment.

Mr. Bryant updated plans for the QAR. He reported he had not been able to find anyone to do the review. Ms. Yeagle suggested contacting Ms. Betsy Bowers, at the Univ. of West Florida to see if they are assisting someone with their QAR who could possibly assist us.

Mr. Bryant reminded the Committee of the June 30 closing date for the advertisement of the Director position. He reported the re-advertisement, which included the job's pay range, had thus far produced approximately 10 applications. The Committee decided they would review the applications and give Ms. Reed their top three choices. Ms. Reed would then combine the choices from Committee members and produce a list of the top three including ties. The Committee decided interviews would be conducted on July 13, 2006 starting at 1:00 p.m. In addition, they agreed the Interim Chair should talk to the Board Chair to discuss a more realistic salary range than the one advertised for a newly hired Director. This information could be shared with applicants when called to interview.

Mr. Bryant shared his concerns regarding the RFP to outsource internal funds audits and cut two positions, one auditor and two co-op students. He stated outsourcing internal funds would eliminate the one function the Department is identified with throughout the District as well as eliminate a source of support to Principals, Bookkeepers and Secretaries. Based on past history of the department, Mr. Bryant shared his concern that outsourcing and lost positions would only lead to more of the same. Mr. Hurd asked each Committee member for their opinions and recommendation. Mr. Lee stated he envisioned an expansion of the Auditing Department; performing a key role for the District. In addition, he stated there was a need for more staff not less and that there would not be a need for an Audit Committee if the Auditing Department was downsized to one Auditor and a Director. Mr. Lee opposed the recommendation. Mr. Cox stated he did not care if the Auditing Department continued doing Internal Funds Audits or not. He commented he was seeing a positive direction and an extension of management control. Mr. Cox also stated that he did not feel staff should be cut and time should be given for Mr. Bryant's plans to reduce time used to conduct Internal Funds Audits. He also reported, since his daughter



worked for Saltmarsh, he could not vote. Ms. Yeagle stated she was not sure if conducting Internal Funds Audits internally was a benefit or not. She also stated she was against cutting positions. Ms. Yeagle questioned information contained in the letter submitted by Saltmarsh, the company selected to do internal funds audits should the Board decide to outsource. Ms. Laura Shaud, Director, Budgeting, responded to Ms. Yeagle's questions, stating the original RFP contained more detailed information as to the criteria to be met by the selected company than the letter submitted by Saltmarsh. Ms. King stated she was against outsourcing. Mr. Hurd stressed more emphasis should be placed on District risks and less emphasis on Internal Funds Audits. He stated the Auditing Department could use more people to audit other risks of the District even if internal funds were outsourced. Mr. Bryant expressed his concern that it would be a tough sell to recommend outsourcing and adding positions instead of cutting positions.

Mr. Bryant expressed his desire to allow the present co-op students to work the length of time discussed at the time of their job acceptance if the Board decided to eliminate their position.

At this point Ms. Shaud asked to take the floor and speak on Ms. Barbara Linker's behalf. Mr. Hurd stated she had been given an opportunity to speak. Mr. Hurd asked the other committee members if they wished to allow Ms. Shaud to take the floor. No member responded. Ms. Shaud's request was denied. Ms. Reed mentioned to Ms. Shaud that Mr. Hurd had asked for Public Input earlier in the meeting.

A motion was made by Virginia Yeagle, seconded by Earl Lee and passed unanimously to reject the Superintendent's recommendation of outsourcing internal funds audits and cutting positions.

Mr. Bryant reported he had received a letter from the PTA President to confirm Mr. Lee as the Council of PTA's representative to serve a consecutive term.

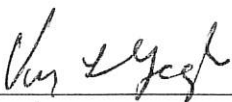
Mr. Bryant reported that Mr. Hurd had submitted his letter of resignation effective June 30, 2006. He recommended the Committee select someone to serve as Chair until at such time when a new Chair could be found.

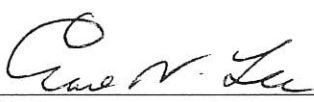
A motion was made by Virginia Yeagle, seconded by Bill Cox and passed unanimously to elect Earl Lee as Interim Chair until such time when a new Chair can be elected. At that time Mr. Lee would revert back to representative for the PTA.

Mr. Bryant stated he would bring an annual work plan to the next meeting. The Committee discussed their opinions on approval of additions to the annual work plan. They discussed whether audits needed to be approved by the Board, the Audit Committee or Auditing Director. The Committee agreed audits that would change the annual work plan should be approved by the Audit Committee and those fitting into the allotment of hours for other audits on the work plan could be determined by the Auditing Director. The Committee felt the Auditing Department should discontinue its involvement in the FEMA project. They agreed the Board should be involved when projects such as FEMA recovery are assigned to the Auditing Department. The Committee agreed the Board should be kept abreast of the Auditing Department's activities.

Mr. Bryant reported a member of the Board, Ms. Hightower, had suggested including a cover letter with Internal Funds Audits when they were submitted for addition to the agenda for the monthly Board meeting.

- VI. There were no items from committee members.
- VII. Mr. Bryant announced the recommendation to not outsource internal funds or cut positions would be brought to the Board at a Budget meeting on June 27 at 8:30 in the Board Room. Mr. Hurd recommended a Committee member be present. Mr. Cox and Mr. Lee stated they would try to attend.
- VIII. The next meeting is scheduled for July 13, 2006 at 1:00 to interview for the Director of Internal Auditing Position.
- IX. Mr. Hurd adjourned the meeting at 7:08 p.m.

  
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Secretary

  
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Chairman

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