



Florida School for the Deaf & the Blind

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MEETING MINUTES

AUDIT COMMITTEE

March 1, 2019 at 8:00 a.m.

**Moore Hall – Room 215, FSDB Campus
St. Augustine, Florida**

Call to Order

Mr. Terry Hadley called the meeting of the Audit Committee to order at 8:00 a.m.

Roll Call

Present: Mr. Terry Hadley (Chairman), Mrs. Linda DiGonzalez, Mr. Owen McCaul

Board of Trustees: Mrs. Christine Chapman, Mr. Chris Wagner, Dr. Tom Zavelson

RSM: Mrs. Jennifer Murtha, Mr. Matthew Blondell, Mr. Joseph Nash, Ms. Alyssa Johnson

FSDB: Dr. Jeanne Prickett

Julia Mintzer

John Wester (Comptroller)

Alison Crozier (Budgets and Grants)

Joe Bruce (Executive Director of Safety and Facilities Operations)

Nick McClure and Debbie Smith (Interpreters)

Denise Fernandez (Recording Secretary)

Approval of Minutes

The minutes of the October 26, 2018 Audit Committee Meeting were *approved on a motion by Mrs. DiGonzalez; seconded by Mr. McCaul.*

Public Comment

None

New Business

- **Agreed Upon Procedures Reports (John Wester)**—Independent Auditor Carr, Riggs & Ingram (CRI) performed a series of tests to evaluate processes and procedures concerning Student Bank operations for fiscal year 2018. Mr. Wester provided an overview of the results:

➤ **Student Accounts**—Of the six tests performed across 30 transactions, there were two findings:

1. Absence of two student accounts on the active student roster due to withdrawals prior to year-end. Mr. Wester explained that the cause was a delay in administrative reporting.
2. Absence of an authorization signature on a student check request. Mr. Wester has reminded the Student Bank staff to continue to carefully inspect all documents requiring signatures. *Mr. Hadley emphasized the importance of carefully monitoring these transactions as there could be an opportunity for abuse. Mr. Wester concurred.*

No exceptions were found in the remaining tests.

- ***Class and Club Accounts***—Six tests were performed to check the accuracy and management of 30 student club and class accounts within the Endowment and Student Bank. The following finding was revealed:
 1. Two accounts lacked the documentation approving their set up as well as the signature of the Administrator of Business Services. Mr. Wester surmised that the forms were either missing or misplaced. The two club and class accounts had been established for several years, and it is likely that “the documentation may have been replaced during the transition of one set of staff to another.” He offered to address the issue by creating duplicate documents to ensure that FSDB passes this test at the next audit.

No exceptions were found in the remaining tests.
- **Financial Statement Audit Update (John Wester)**—Mr. Wester shared with the Committee his optimism over the audit process. He has furnished the Auditor General with all the documentation that has been requested and has provided interpretations of procedures and support for their questions. No significant problems have been brought to his attention. The Financial Statement Audit is expected to be published at the *end of March 2019*.
- **Internal Audit Update (RSM)**—Mr. Blondell briefly summarized the objectives, scopes and approaches used in auditing the Cash Handling and Contract Administration processes before turning the presentation of the audit findings to Mr. Nash.
 - ***Cash Handling***—RSM’s review focused on three student enterprises: *D&B Design*, the *Dragon’s Lair Café* and the *D&B Garden Center*. The audit focused on activities from the original point of sale to the bank deposit. Controls at each location were explored and samples of transactions were reviewed to ensure compliance with procedures. The following observations were identified:
 1. **Lack of Policies and Procedures in Place (High Risk)**: RSM noted through interviews and interactions with each enterprise that no specific policies and procedures were established. While FSDB’s Internal Funds Policies and Procedures, which is provided to staff, offers guidelines, RSM recommends instituting a set of policies and procedures designed for the students and the often, unique situations they encounter. The implementation of said policies and procedures would lead to the efficient and more proper handling of each operation. Management intends to roll out by *June 1, 2019*.
 2. **Segregation of Duties (High Risk)**: In the midst of staffing challenges, it is not uncommon to share roles. While this practice exists, it is not preferred especially when handling cash transactions. In the presence of role overlap, RSM recommends adding a monthly monitoring system whereby the manager would review sales reports, reconcile sales collections to deposit reports, identify trends and detect areas for improvement. Management will create a monitoring process by *June 1, 2019*.
 3. **Safeguarding of Assets (Moderate Risk)**: RSM noticed inconsistencies regarding the frequency of cash deposits. Based on the level of transactions, RSM recommends that the enterprises establish a time or dollar threshold which is in alignment with the

Internal Funds Policies and Procedures. Management will implement a formalized process by *June 1, 2019*.

RSM did not observe any significant issue in the area of student supervision and is of the opinion that FSDB's monitoring of supervision over students is adequate.

Discussion—Student enterprises are becoming more active and generating more cash flow. Due to their growth, there is a need to create business controls that mimic a true business operation. Once funded with private dollars for educational purposes, they are now becoming self-sustaining enterprises. RSM's feedback to help structure a process, will give them the tools to help manage a legitimate business, thus forging career paths and raising challenges for students, which is reflective of the real world. Certified teachers and staff are still assigned to student enterprises and provide vocational skills training. In so far as the cash handling, Mrs. Mintzer offered to add an educational component to the policies and procedures to ensure the incorporation of both skill sets into the curriculum.

➤ **Contract Management**—This audit helped verify whether compliance in the contract terms between the School and contractor(s) was evident. RSM acknowledged that the process involved considerable collaboration between multiple departments. Five contracts spanning across four heavy department users—Allied Health, Facilities, Technology, Transportation—were selected and the following observations were revealed:

1. **Settlements (Moderate)**: The settlement process is used when invoices received for work performed by a vendor were not in the contract's scope. RSM examined two invoices by separate vendors to determine whether they should be paid through the settlement process. In these cases, the vendors were permitted or instructed to perform work outside the specific scope of their contract. Since settlements require State approval, these oversights could expose FSDB to risk of non-compliance. RSM recommends implementing an annual training in order to maintain familiarity with contract management requisites. (Presently, contract managers are only required to undergo recertification training every four years.) Management will implement training by *July 1, 2019*.
2. **Prompt Payment of Invoices (Low)**: RSM reviewed 23 Contract Administration transactions and noted one invoice in the sample selection that was not paid promptly (within the 40-day time period from which the invoice was approved). While acknowledging FSDB's 99% rating in the Prompt Payment Compliance report, RSM recommends that all invoices be initially date stamped to avoid any untimely payments. Management will continue to strive to maintain a high level of compliance.

Discussion—Within the departments across campus there is redundancy in contract management training. Mrs. Mintzer assured the Committee that in the event of a planned or unplanned absence(s), there are sufficient, certified, supervisory staff qualified to cover contracts if the need arose. An area of opportunity would be to have redundancy in the student enterprises.

Audit Committee Meeting Minutes

March 1, 2019

Page 4

- **Fraud Hotline Update (Julia Mintzer)**—Answernet continues as FSDB’s call center provider for fraud reporting. Nancy Bloch periodically tests the hotline to make sure it remains accessible; RSM continues to monitor the system and send reports to the Office of the Administrator of Business Services. Mrs. Mintzer assured the Committee that the process was working and there were no reports of fraud.
- **Next Meeting**—To be determined at the March 1, 2019 Board of Trustees meeting.

Action Items for Consideration:

1. Board approval is requested to enter into contract with RSM US, LLP for the 2019-2020 fiscal year to provide internal audit and financial statement services.

	2019-2020	2018-2019
Partner/Director	\$240.00	\$240.00
Manager	\$190.00	\$190.00
Supervisor/Senior	\$160.00	\$160.00
Staff	\$130.00	\$130.00

Approved on a motion by Mr. McCaul; seconded by Mrs. DiGonzalez.

2. Board approval is requested for the renewal of the Answernet contract for the 2019-2020 fiscal year to provide fraud reporting services (**\$220.00 per month**). The monthly service fee reflects a \$25.00 increase from the previous years and is associated with the texting feature of the service. *Approved on a motion by Mrs. DiGonzalez; seconded by Mr. McCaul.*
3. Board approval is requested to enter into contract with Carr, Riggs, & Ingram for the 2019-2020 fiscal year to conduct the Annual Audit of Endowment Funds (Fiscal Year Ending June 30, 2019) and Limited Procedures Engagement (Student Accounts and Student Club/Class Organization Accounts).

	2019-2020	2018-2019
Annual Audit of Endowment Funds:	\$19,500.00	\$16,000.00
Limited Procedures Engagement (Student Accounts):	\$2,200.00	\$2,000.00
Limited Procedures Engagement (Club/Class Org. Accounts):	\$2,200.00	\$2,000.00

Discussion—The rationale for the cost increase is due to the GAGAS—Generally Accepted Government Auditing Standards (i.e., Yellow Book) which CRI will be applying to the year-end 2019 audit. Based on a discussion between the Auditor General’s Office (AG) and Mrs. Mintzer, the AG expressed a preference for this standard even though they were satisfied with the June 30, 2018 GASB (Governmental Accounting Standards Board) financial statement.

Approved on a motion by Mr. McCaul; seconded by Mrs. DiGonzalez.

Adjournment

The meeting adjourned at 8:41AM by Mr. Hadley.