

## **Audit Committee Meeting**

June 22, 2022 – 9:30am - 450 Park Place – Conference Room 139

### **Attendees:**

Chris Ensslin (Audit Committee Chair)  
Dave Osborne (Audit Committee)  
Allison Marcum (Audit Committee)  
Jim Tencza (Dean Dorton - Internal Auditor)  
Chris Boylan (Dean Dorton – Internal Auditor)  
Jeanna Jones (Strothman & Co– External Auditor)  
Amy Greene (FCPS Board Member)  
Rodney Jackson  
Myron Thompson  
Alicia Miller (Compliance Officer)  
Casondra Jones

### **INTRODUCTION & APPROVAL OF MINUTES**

Minutes approved by Chris Ensslin

### **INTERNAL AUDIT UPDATE – DEAN DORTON ALLEN FORD (Jim Tencza & Chris Boylan)**

Discussed audit updates

Cap and Gown Audit (Jostens) - A competitor of Jostens (the current vendor) issues concerns about not being able to get into the FCPS market and conflict of interest. District leadership requested an independent third party review their concerns thoroughly to see if these concerns were valid. Internal Auditors, Dean Dorton Ford CPA (DDF) firm was hired to do the internal audit related to these concerns. DDF performed several interviews with vendors and staff. DDF also reviewed district policies and procedures for compliance. The internal audit concluded that FCPS has not violated any conflict of interest policies and procedures. However, there were some recommendations for improvement. Some of the recommendations were as follows:

Evaluate the inclusion of cap and gown waiver and instructional fee form. There is a clause in the fee waiver that says graduation fees should be waived for those who are approved for a fee waiver, it was recommended that Legal take a look at this.

Vendor background checks- The current vendor has a background check on file with the District. There was another vendor who did not have one on file and he is no longer doing business with FCPS. Recommendation was to make sure all background checks are on file and verified.

Graduation vendor selection- Focus was on the high school level and found that each school had a different process and that there was inconsistency with vendor selection between the high schools. Recommendation- the Board to look at having a District level committee approve a vendor for all the high schools. The district will be centralizing the bid process this fall.

Question was raised as to why Jostens gets all the districts business. FCPS held a vendor fair and two of the three major vendors attended. Each school picked the vendor for cap and gowns and each school decided that Justen's.

As mentioned earlier. It was alleged that one of the school bookkeepers had a conflict of interest with regards to another vendor, however bookkeepers have no decision making authority. The Superintendent requested an audit to get clarity on the allegation. He also wanted any issues and/or areas of improvement to be made priority. DDF as part of their audit had discussions with other school districts on their processes and procedures. It was determined that centralization was the best plan of action to avoid conflicts or issues.

Question was raised with regard to Jostens pricing, were prices the same for all schools? No, the cost varies at every school due to the variety of options to choose from such as add ons (ex. tassel which is not included with cap and gown), some schools even have their logo included which is an additional charge. The base package was the same at all the schools. DDF concluded there was no concern of kickbacks as a determining factor in Jostens being the vendor of choice.

Diploma covers come with the purchase of a cap and gown but for those students allowed to wear one from a prior year (from a sibling) then they did not receive a cover and there was not an option to purchase one. The recommendation is for the district to pick up the cost for diploma covers for all graduating students. Going forward, the Superintendent wants to ensure they will be included in the bid process.

DDF stated that competitive business practices are to ensure fair competition- If a competitive bid is required, the district must make sure the overall dollar amount is fair. It was also note that, according to national research, the three major vendors in the nation are usually the winner depending on geographic location in the nation.

FCPS management agrees and stated as part of the bidding process, there will be an overage amount to eliminate the additional charges for graduation add ons, due to last minute requests/needs.

Question was asked about who does background checks of the sales person of these companies, do we do them or expect their company to provide one? We do the background checks on anyone who will be coming into a school and interacting with students, it is required by law.

DDF also reported on the Afterschool Program (ASP) Audit, which started prior to COVID. The auditors were looking at older data and many of the findings had been corrected due to the implementation of SmartCare and After School Program Manager position.

DDR Found that ASP has 20% of students participate on average. The failure rate on the internal audits is about 50% of the ASP programs on things like expense and support, employee files, immunization records, student payment and sign in and out sheets. A lot of records were manual and were not maintained. Some of the ASPs got rid of employee files at the end of the year. Once iPads were purchased, the ASPs were able to maintain records with the SmartCare program. Question was asked

are there other ASP besides the ones managed internally by FCPS. Response from staff, yes there are a couple different ASPs in the district such as Parks and Recreation & YMCA. A few years ago the district had several issues with schools running their own programs with no specific district oversight other than the leadership at each school. District leadership decided to evaluate outsourcing this process to vendors such as Parks and Recreation or the YMCA or manage the programs internally. It was decided that management oversight internally was more feasible and it was determined that the best solution to remedy this was to start a program within the district. The ASP department was created and designated to fall under Financial Accounting & Benefits Services as it is a business function. The participating schools pay for an equitable portion annually to fund the program. SmartCare is a highly capable program built for childcare and addresses about 90% of the issues and concerns was introduced by the After School Program Manager and Associate Director Finance.

Question was asked was there a retention schedule for all of the missing paper records? Yes, some such as immunization and employee training records, were mandated by the state for childcare and were in violation for those missing records. Afterschool care falls under the laws around daycares.

Who does data entry for SmartCare? Each location has a site Director who manages all of this. We also have an ASP Manager and a Compliance Officer to oversee the entire program and do site visits verifying things are being done correctly. Training is done for consistency.

The District has hired an Internal Auditor who will be starting July 1. Dean Dorton has meet with him and will be working with him for a smooth transition. This is best practice for a school district of this size to have someone internally for auditing and still work with an outside firm as a resource. Currently there is no contract in place for consultations but the new internal auditor will have a budget for this as long as it stays under \$30,000, then it won't have to go to bid. If there is a request for a special audit, the district will still work with the outside firm, just as they did with Jostens as it was outside of our regular contract with Dean Dorton and required additional funding.

#### **EXTERNAL AUDIT UPDATE – STROTHMAN AND COMPANY (Jeanna Jones)**

Will be getting started in the next few weeks. Strothman has met with Mr. Jackson and his team to go over what schools would be focused on within the next month.

#### **COMPLIANCE OFFICER REPORT (ALICIA MILLER)**

From September – June there were a total of nine new reports received (all were anonymous), two were for financial mismanagement (one of which the Finance office is looking into it and the other is a personnel matter that the compliance officer is working with), one for conflict of interest or improper giving or receiving of gifts, one for environment health and safety. All but two reports have been closed out and sent to the Chief of the school to look at.

Question was asked about what the process is on complaints received. The compliance officer looks to see who reported it. If it is anonymous, that makes it difficult to reach out to that person for more information. The Compliance Officer can still respond to the complaint but typically there is no response back.

If it's financial in nature, they look at the people involved, then there is an investigation to see if there is any validity to the complaint and if there is then the internal or external auditors are notified and the escalation process begins. None of the closed out complaints were substantiated.

#### **AUDIT COMMITTEE MISC.**

The new auditor will report directly to the Superintendent with a dotted line to the Board of Education. If anything were to come up pertaining to the Superintendent or the Board then it goes to a third party to be investigated, the district's internal auditor cannot be involved with it. The Superintendent is the only one who has the ability to hire or fire the internal auditor.

The new auditor will be having conversations with external auditor and the Audit Committee. The Audit Committee would like to see the new auditor's resume and credentials. One member is concerned that the Audit Committee didn't have any involvement in the hiring of the new auditor and it was stated that it is not the role of the Audit Committee to be involved in the hiring process. As the committee is an adhoc committee of the board and since the board's only employee is the Superintendent. The committee is not required to be in this process. It was further clarified by committee members that the role of the committee is to support financial governance and it is normal that the committee is not involved in hiring.

#### **CLOSING THOUGHTS**

Chris thanked Dean Dorton for their work with the district.

Next meeting will be on July 20, 2022 at 9:30 am

Meeting adjourned by Rodney Jackson.