

Audit Committee Meeting

October 16, 2024 – 9:30 am – John D. Price Administration Bldg. – Conference Room 139

Attendees:

Jaclyn Badeau (Audit Committee Chair)
Nick Clark (Internal Auditor for the District)
Donna Austin (Administrative Assistant)
Jana Moulton (Associate Internal Auditor)
Alicia Miller (Compliance Officer)
Dave Osborne (Committee Member)
Kacey Urbaneja (Classified Representative)
Bret Nathaniel (Equity Council Representative)
Katie Reed (External Audit Representative)
Irine Yeutenko (External Audit Representative)
Amy Green (School Board Representative)-Virtual
Greg Hodge (Audit Committee)-Virtual
Jeanna Jones (External Audit Representative)-Virtual
Rodney Jackson (Executive Director of Financial Accounting & Benefit Services)-Virtual
Brett Nabors (Weaver)-Virtual
Hunter Sundbeck (Weaver)-Virtual

Absent:

Chris Salyers (Certified Representative)
Houston Barber (Deputy Superintendent)
Larry Forester (Audit Committee)
Joe Gibson (Principal Representative)
Penny Christian (16th District PTA Representative)

Engage and X-plore

The Chair opened the meeting by requesting approval of the July 17, 2024 minutes. The motion was made for approval by Dave Osborne and seconded by Greg Hodge. The minutes were approved by the audit committee.

Communicate

Network User Access Audit

Brett Nabors/Weaver reviewed the preliminary findings from the audit. Weaver is presenting the following five recommendations to the network security team:

1. Restrict network device admin account password access and migrate non-user account passwords to a dynamic password solution for better control and management.
2. Enhance current procedures in the District Security Policy to include onboarding, offboarding, and modifying network and device access.
3. Implement a process to prevent non-FCPS devices from physically connecting to the internal network without authentication.
4. Conduct periodic reviews of privileged access and network device access.

5. Enforce MFA for administrator accounts accessing the network and devices remotely.

The final report will be provided prior to the January audit committee meeting.

Procurement Audit

Nick Clark presented the District's Procurement audit. Nick indicated that POs have increased steadily over the last five years. There was a drop off in POs during COVID. Nick shared that, on average, requisitions were converted to POs within 1.58 days, which is amazing considering the number of POs the district creates each year. Dave Osborne asked what things were purchased with PO vs district Pcards. Nick explained the various situations when Pcard would be used. Rodney Jackson indicated that POs would not be used to pay utilities. Brett Nathaniel asked what software is used for processing requisitions. Nick explained ERP through Tyler Technologies (formerly Munis) is used.

There were four findings identified during the audit. The first finding was that invoices are dated prior to the purchase order. This is a systemic issue that the district is working to address. The second finding was that one transaction appeared to be split-up purchases, potentially to avoid the required approval and/or bidding process. In one case, a requisition was initially rejected and then resubmitted in smaller amounts, circumventing additional scrutiny and documentation requirements. In another case, a requisition was submitted as one of four for lease payments, lacking the necessary documentation and approval. The third finding was where three requisitions circumvented the proper workflow process. A total of approximately \$10,000, were caught before converting to PO, and adjustments were made. The last finding was regarding the carryover of prior year POs. There were 273 old purchase orders with original purchase order amounts totaling approximately \$2 million. Nick indicated that one of the concerns with this included grant management, where funds are still encumbered after a grant has been closed. Overall the audit was deemed acceptable with findings.

Audit Plan

Nick provided an update on the FY 25 Audit plan. The Office of Internal Audit is in the planning stages accounts payable payment process. This will conclude the review of the entire accounts payable process. The Office of Internal Audit is finished with the planning phase of the student fees, selecting samples, and communicating with schools to get information so they can start physical testing. The goal is to present the student fees audit at the January meeting. Once these two audits are completed, the Office of Internal Audit will examine the administrative leave and grants/donations processes. Jana Moulton has completed eight student activity fund audits and will meet with the schools to review the results. In addition, she is in the process of completing nine additional audits. Rodney Jackson indicated that he and Nick have discussed the findings at the elementary, middle, and high school levels and decided to divide the training by level since each level deals with different issues. The high school bookkeepers and principals will receive mandatory training during the summer to emphasize the importance of strong internal controls. Nick stated that on Tuesday,

October 22, 2024, the principals will have Redbook training with Ron Flannery, an outside consultant. Nick stated that the Payroll and overtime audits will go into next year. He stated those audits would take a substantial amount of time.

External Audit

Katie Reed indicated that the audit firm is about 75-80% through testing for the financial statement audit. They expect their testing and review, to be complete by the end of next week. They hope to have the financial statements from Rodney's team by the end of October to meet the required mid-November deadline. For the single audit, two major programs were selected this year, child nutrition and commodities, and the supplemental food program. The child nutrition testing is nearly complete, and they are working this week and next to complete the commodities and supplemental food program testing. She hopes to have that done by early next week. For the school activities funds, they audit approximately 17-20 schools per year. They have completed all of their testing and are working through the review to communicate the findings to the principals and bookkeepers. A draft of the financial report will be presented to the Audit Committee on November 11, 2024.

Compliance

Alicia Miller (Compliance Officer) had one report in August and that was taken care of by a chief of the school. They have not had anything else come in since then.

Empower

Jaclyn Badeau asked if there were any questions, comments, or new business. Committee member Greg Hodge asked about public comment and how that works. Amy Green stated that the statutes say when you have a regularly scheduled board meeting or meeting related to the board, it needs to include public comment. To be on the safe side and to demonstrate transparency and openness to the community, the district is increasing that beyond the minimum so that every regularly scheduled board meeting has an opportunity for public comment. The Audit Committee meetings are posted on the district website and media outlets are provided with the meeting times. There is a hybrid option allowing individuals to attend virtually or in person. If attending online, community members would need to submit a request to speak prior to the meeting.

Launch

The next meeting is scheduled for November 11, 2024, at 4 pm to review the external audit. Jaclyn stated there will be a new audit committee member who should be able to attend the November meeting. Jaclyn stated they are looking for one more outside member to join the audit committee. Amy Green asked if they were looking for someone with a specific skill set. Jaclyn and Nick stated someone with IT/auditing experience would be ideal.

Dave Osborne motioned to adjourn the meeting and Greg Hodge seconded the motion. The motion was approved, and the meeting was adjourned.