

Rochester Board of Education  
Audit Committee Meeting  
May 21, 2012

Minutes

**Attendance:** Commissioners Adams, and Elliott. Board Staff: Ms. Henry-Wheeler, Auditor General. Commissioner White was excused.

Commissioner Adams convened the meeting at 7:00 PM.

**Presentation by Freed Maxick CPAs, P.C. (FM):** Kathryn Barrett from FM provided the Committee with a copy of the External Audit Plan for the year ending June 30, 2012. The presentation included the engagement team, needs and expectations, reporting timetable, audit objectives, developments affecting financial reporting, audit strategy, and risk assessment.

Commissioner Adams inquired about the District's financial oversight of the facilities modernization project. Ms. Barrett summarized the project administrative costs since 2007. She discussed the concerns over future funding, state aid, timing of cash flows, expenditure approvals, unaided administrative costs, budgetary controls and monitoring to prevent expenditure overruns. There was a general concern by the Committee regarding an understanding of how all of the process, timing and control concerns fit together. Commissioner Elliott requested that FM prepare a letter documenting the general concerns discussed about FMP. Commissioner Elliott also stated a concern about the independence associated with the RCSD Senior Director of Operations being on the Rochester Joint Schools Construction Board (RJSCB). Commissioner Adams expressed concerns about the various roles, flows of funding and general control environment. She inquired if new accounting software had been purchased to support the project. Ms. Barrett confirmed that software was obtained.

**Action:** FM will provide a letter summarizing the facilities modernization project concerns discussed by Audit Committee.

Commissioner Elliott inquired if RCSD controls were sound regarding the Medicaid reimbursements. The Auditor General stated that while processes are in place, due to the District's conservative approach, the more significant risk is primarily revenue leakage.

Ms. Barrett discussed GASB 63 regarding deferred inflows and outflows. She also summarized GASB 54 regarding the categories of restricted, committed, assigned, and unassigned funds and noted that the Acting CFO has an update for the upcoming Board meeting.

The Committee inquired about how FM includes the Auditor General's assessment of risk in their process. Ms. Barrett communicated that FM and the Auditor General would meet in conjunction with the planning process.

Ms. Barrett inquired if the Commissioners were aware of any instances of fraud. Commissioners Elliott and Adams communicated there were not aware of any fraud. Ms. Barrett also inquired if ethical standards were communicated. Commissioner Elliott stated that there has not been enough education on the subject and that she thinks some employees still operate under fear. Ms. Henry-Wheeler mentioned that the ethics policy was developed in the last year.

**Action:** The Auditor General is to introduce FM to the superintendent.

**Financial Expert Discussion:** The Auditor General presented the credentials of Annie C. Sealy to provide an independent financial perspective to the Audit Committee. The Committee agreed to invite Ms. Sealy to participate on the Audit Committee.

**OAG Status Update:** The Auditor General provided a status on current audit work and special projects. Discussion items included work on Payroll, HCI, HCI PeopleSoft Security, Attendance, Student Activity Funds, Food Service, and Supplemental Educational Services. Commissioner Elliott stated she thought it would be helpful to perform presentations on audit reports.

The Audit Committee meeting to review the CAFR will be December 4, 2012.

**Adjournment:** The meeting adjourned at 8:38 PM.