

Rochester Board of Education
Audit Committee Meeting
November 29, 2011

Minutes

Attendance: Commissioners Williams, Elliott and Cruz. Commissioner White was absent. Board Staff: Ms. Henry-Wheeler, Auditor General.

Commissioner Williams convened the meeting at 6:02 PM.

- I. Approval of Meeting Minutes:** The minutes from the May 11, 2011 Audit Committee Meeting were approved by the Audit Committee.
- II. Presentation by Freed Maxick & Battaglia, PC (FMB) to discuss audit findings for fiscal year ended June 30, 2011 for Rochester City School District.** Kathryn Barrett, CPA, Engagement Director and Patrick Clancy, CPA, Engagement Manager presented. The presentation included the audit plan, areas of focus, audit process, financial highlights, other significant issues, required communications (SAS 114) and communication of control deficiency and other matters (SAS 112).

Areas of focus for the audit included, cash, due from other governments (state & federal aid), accrued liabilities, due to retirement systems, fund balance reserves and designations. The external audit began as scheduled and all audit information requested was available at the beginning of the audit. There were no adjusting journal entries in the audit for the year ended June 30, 2011.

FMB discussed the implementation of GASB Statement No 54 and 61 regarding Fund Balance Reporting and Governmental Fund type definitions. The inclusion of the Rochester Joint Schools Construction Board (RJSCB) as a blended component unit of the district was discussed. GASB Statement 61 – Financial Reporting Entity: Omnibus was adopted. Commissioners Williams and Elliott inquired why the RJCSB is considered a separate entity of the district. FMB responded that the RJSCB is a legally separate unit that is fiscally dependent on the district and provides services exclusively to the district.

FMB forwarded required communications in a letter dated May 27, 2011. There were no significant or unusual transactions found during the audit. In addition, there were no alternative treatments. There were also no disagreements with management and the audit team concurred with management on accounting estimates. There were no difficulties encountered in performing the audit. During the Single Audit, compliance of federally funded programs was discussed.

FMB discussed 2 control deficiencies noted during the audit. The audit noted that vendors were not verified on the government website for disbarment or suspensions when they are paid through the direct pay method. They did note that internal controls are in place to prevent this from occurring under the purchase order method. Commissioner Elliott questioned how the problem will be addressed. Vernon Connors, Interim Chief Financial Officer, stated that he expects to have a resolution by early 2012. Commissioner Elliott requested OAG to follow-up on the resolution. In addition, Commissioners Elliott and Williams wanted to know the numbers of vendors paid under the direct pay method and the related dollar value.

Action: Vernon Connors will provide the Board with information regarding the number of vendors paid under the direct pay method and the related dollar value.

Action: OAG will follow-up on this issue once it is resolved.

FMB also communicated that there was missing payroll documentation (1-4, I-9 and retirement waivers or applications) in files. Commissioner Elliott stated that she did not have specific, detailed information, but it came to her attention that the district is paying people that should no longer be on the district's payroll. Commissioner Cruz stated that district staff should be immediately informed of this information. Anissa Henry-Wheeler stated that the OAG is performing audits in Payroll and HCI internal controls. The result of those audits will be forwarded to the Committee upon completion.

The audit revealed similar concerns as noted in previous years in Student Activity Funds. Cash receipts, supporting documentation, student bookkeeping, and sales tax reporting were areas requiring improvement. FMB indicated that the new accounting system should have addressed sales tax, but the schools do not have knowledgeable resources to comply. Commissioner Elliott wanted to know how much money was involved and who is responsible for the taxes. Vernon Connors stated that, as in previous years, his organization does not have the resources to ensure that SAF procedures are properly monitored.

Action: Vernon Connors will send information to the Board regarding how sales taxes will be addressed.

Commissioner Cruz congratulated Vernon Connors and his staff for a successful external audit.

FMB concluded their audit presentation for the year ending June 30, 2011.

- III. Executive Session:** The Audit Committee made a motion to enter into Executive Session with Freed Maxick and Battaglia at 7:18PM. The Audit Committee had a confidential discussion with the External Auditors. The Executive Session ended at 7:30PM.
- IV. Adjournment:** The meeting adjourned at 7:30PM.