

Rochester Board of Education  
Audit Committee Meeting  
December 8, 2010

Minutes

**Attendance:** Commissioners Williams, Elliott, White and Campos. **Board Staff:** Ms. Henry-Wheeler.

Commissioner Williams convened the meeting at 6:02PM.

- I. Approval of Minutes from Last Audit Committee Meeting:** The Minutes from the October 21, 2010 were approved.
- II. Freed Maxick and Battaglia (FMB) Presentation and Discussion:** Kathy Barrett from Freed Maxick and Battaglia, the District's CAFR Auditor, presented audit findings for the year ending June 30, 2010. The District was recognized for their thorough preparation of documentation for the audit. The External Auditors stated that the audit moved smoothly for an organization of this size. The External Auditors' discussed the following findings:

- A material weakness was found as a result of the District not recording a receivable for the State Fiscal Stabilization ARRA (American Recovery and Reinvestment Act) funds for approximately \$8 million dollars. Failure to record this receivable would result in the State/Federal aid receivable and Federal revenue would have been understated by just over \$8 million dollars.

**Action by Management:** Management stated they reviewed and enhanced their controls to ensure proper recording. As a part of the monthly close process, the Grants department will submit a report to the Accounting Department which details all grants billed and unbilled revenue associated with the cumulative period, regardless of fund, to be reviewed by Accounting for proper and timely financial recording.

- During their audit of the federally funded programs and stabilization funds, they noted that the District did not verify vendors with whom the District purchased more than \$25,000 of goods or services during the year with the Excluded Parties List System (EPLS) government website. Although, the District did not check this website, it was determined during the single audit that none of the vendors selected for testing had been suspended or debarred per inquiry at the website.

**Action by Management:** The Procurement team is now verifying the EPLS government website to ensure that all vendors are eligible for payment from Federal funds, as well as other sources. The Purchasing Department will run a daily report using the EPLS government website to check for suspended and debarred vendors. The search results will be attached to the report and kept on file by Purchasing.

- The District did not bid out the purchase of student agendas. As of June 20, 2010, the General Municipal Law of New York State stated that any cumulative purchases in excess of \$10,000 should be competitively bid.

**Action by Management:** The District does comply with the bidding requirements under General Municipal Law of New York State. The District in past years has ordered school agendas from multiple vendors. These vendors were selected by the schools based on the customization that each school has specified for their student needs. The primary vendor used by most schools has nine different types of agendas. In order to bid the daily planners there would need to be agreement for a sole vendor and standardization. In negotiating pricing this year with the main vendor we were not able to guarantee that the vendor would be the sole vendor due to the various needs of the schools.

- Because there is no audit trail from the time cash is received by students to when that cash is received by the Treasurer in Central Office, the District (and virtually all other Districts) will always receive a qualified opinion for Student Activity Funds. Also, sales tax was not properly collected and recorded on \$800,000 of Student Activity Funds.

**Action by Management:** The District's Accounting Department has provided the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2, issued by the State Education Department and the District's Procedures Manual for Student Activity and Elementary Activity Funds at Operations. Training was provided in August 2009. The Accounting Department has held several educational and informational sessions with school principals and school central treasurers since October of this year. The Accounting Department will continue to work with the school central treasurers to properly prepare the sales tax returns.

- III. Executive Session:** The Board members and the External Auditors went into Executive Session at 7:15PM to discuss the External Auditors' audit findings. Executive Session adjourned at 7:24PM.
- IV. Advancement of CAFR:** A motion was made to advance the CAFR to the Full Board for acceptance. The motion was made by Commissioner Elliott and seconded by Commissioner White with a 3-0 vote.
- V. Adjournment:** Meeting adjourned at 7:25PM.