

Rochester Board of Education
Audit Committee Meeting
August 19, 2010

Minutes

Attendance: Commissioners Williams, Elliott, and White (7:25PM). Board Staff, Ms. Henry-Wheeler, Auditor General; David Brown, Deputy AG. Kathryn Barrett, CPA Engagement Director, Freed Maxick & Battaglia, PC; Patrick Clancy, CPA Engagement Manager Freed Maxick & Battaglia.

Commission Williams convened the meeting at 7:09 PM.

Freed Maxick & Battaglia (FMB) presented their Rochester City School District Audit Plan for fiscal year ending June 30, 2010. Their presentation included their engagement team, the reporting timetable, objectives, recent audit and accounting developments affecting RCSD, and their audit strategy.

They noted that Federal Stimulus funding was considered high risk by the Office of Inspector General and includes ARRA (American Recovery and Reinvestment Act), Title 1, IDEA and child nutrition. The high risk designation means that this area is a top priority for single audit before the testing of other programs.

ACTION:

- Commissioner Williams requested visibility to what has been done with ARRA funds and what reporting is provided to the Board.

FMB noted RCSD is in their second year as a high risk audit client and if there are no compliance findings this year, this designation will be removed for 2011.

Commissioner Williams questioned the scope of work with associated FMB findings last year and how the district passed with flying colors, yet results from the state left people misunderstanding how that could happen. FMB responded that they are only required to perform limited testing of internal controls and do not test for fraud or compliance and not 4 to 5 years previous as the state did. FMB will limit its compliance work to the federally funded programs.

FMB discussed the need for clients to have long term financial plans to enable a more proactive approach to shrinking funding and fiscal trends. The necessity of such planning is not a requirement but good practice.

FMB discussed the latest GASB financial reporting and auditing developments. FMB has met with district financial personnel and determined that the PeopleSoft implementation can be considered an intangible asset under GASB-51. GASB-54 is related to new classification of equity and becomes effective next 2010/2011 fiscal year and will become relevant in the June 30, 2011 financial statements. This will not impact monthly financials unless reserves are utilized. It will not change how money is

spent, only how funds are classified. GASB-57 will only have to be implemented if the state establishes the trust.

FMB intends to review approximately 70-80% of expenditures by confirming cash, receivables, charter school expenses, subsequent transactions, debt, disbursements over payroll, revenue from the city, and state aid.

Commissioner Elliott inquired about the work performed on inter-fund transfers. FMB responded that they look at what is adopted by the Board and review of the budget.

FMB presented its progress regarding diversity outreach and recruitment practices and challenges. Commissioner White emphasized the need to continue the efforts to increase diversity. He communicated that the Urban League Black Scholars program may identify candidates for the accounting profession. He also noted that district resources should also be able to identify students that have attended colleges and graduated in specific fields.

FMB noted different control structures within RCSD for SAF (secondary Student Activity Funds) and EAF (Elementary Activity funds). They stated that both will be included in their report and will be audited according to the internal controls RCSD developed. FMB noted that extracurricular funds are a high risk cash environment that takes a strong commitment and dedicated resources to achieve a clean opinion.

Adjournment: Meeting adjourned at 8:04 PM. This adjournment was moved by Commissioner Elliott and seconded by Commissioner White.