

**MINUTES OF THE  
WASHOE COUNTY SCHOOL DISTRICT  
AUDIT COMMITTEE**

**February 13, 2020**

**1. OPENING ITEMS**

**1.01 CALL TO ORDER**

The meeting of the Washoe County School District Audit Committee was called to order by Tom Doyle, Committee Chair, at 3:30 p.m. in the Board Room of the Washoe County School District Administration Building, 425 E. Ninth Street, Reno, Nevada.

**1.02 ROLL CALL**

Chair Tom Doyle and committee members Russ Ruiz, Ron Reigle, Terri Avansino and Todd Shipley were present. Committee member Jay Goldberg was absent. Kirk Starkey, Staff Liaison and Chief Auditor, was also present.

**1.03 PUBLIC COMMENT**

There was no public comment.

**2. DISCUSSION, PRESENTATION, AND ACTION ITEMS**

**2.01 ACTION TO ADOPT THE AGENDA**

There was no discussion on the adoption of the agenda.

**On motion by Todd Shipley, second by Russ Ruiz, the Audit Committee adopted the agenda as presented.** (Yea: Tom Doyle, Terri Avansino, Russ Ruiz, Ron Reigle, and Todd Shipley.) Final Resolution: Motion Carries 5-0.

**2.02 APPROVAL OF THE MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD NOVEMBER 7, 2019**

Mr. Ruiz noted a typographical error on page 9 of the minutes in the second sentence under Public Comment.

**On motion by Todd Shipley, second by Russ Ruiz, the Audit Committee approved the minutes of the Audit Committee meeting held November 7, 2019.** (Yea: Tom Doyle, Terri Avansino, Russ Ruiz, Ron Reigle, and Todd Shipley.) Final Resolution: Motion Carries 5-0.

## **2.03 DISCUSSION AND POSSIBLE ACTION TO FORWARD TO THE BOARD OF TRUSTEES FOR THEIR CONSIDERATION AND ACCEPTANCE THE ANNUAL FOLLOW-UP OF THE PROPERTY CONTROL AUDIT**

Paul Casey, Internal Auditor, presented the Annual Follow-up of the Property Control Audit. The audit was originally presented in March 2016 and contained one objective: "Can Property Control Department processes be improved?" Sixteen recommendations were made, twelve of which were fully implemented, and two that were considered no longer applicable. This annual follow-up focused on the two remaining open recommendations.

Recommendation #14 was to create procedures for stolen, missing, and donated assets. The Business Office is currently working on developing procedural manuals for all its individual departments/divisions, including Property Control, and has drafted procedures and regulations for Stolen, Missing, and Donated Assets. The updated procedures will be included in the Property Control Department manual, which has an anticipated completion date of June 2020. Thereafter, this section will be moved into regulation. This recommendation remains partially implemented

Recommendation #16 was to update department procedures and district policy to reflect current practices. On June 4, 2019, the Board of Trustees provided final approval to the revision of Board Policy 3265, Equipment and Property. Part of that policy revision was to include language on the "administration and management of fixed assets inventory." Once the procedural manual is completed, applicable sections will be reviewed and moved into regulation. As noted earlier, the anticipated completion date of the Property Control Department manual is June 2020. As a result, this recommendation remains partially implemented.

Mr. Casey asked the committee if they had any questions and there was a question about why it has taken four years to develop procedural manuals and policy. Because a representative from the Business Office was unable to attend the meeting, Mr. Casey told the committee that he would contact the Business Office to see if they could provide an answer for the Audit Committee. The committee asked about the volume of stolen, missing, and donated assets. Mr. Casey answered that he did not recall that there was a large volume of stolen, missing, and donated assets, but rather the recommendation was more related to there being a procedure for dealing with these assets available on the District website.

**On motion by Todd Shipley, second by Ron Reigle, the Audit Committee forwarded to the Board of Trustees for their consideration and acceptance the Annual Follow-up of the Property Control Audit.** (Yea: Tom Doyle, Terri Avansino, Russ Ruiz, Ron Reigle, and Todd Shipley.) Final Resolution: Motion Carries 5-0.

## **2.04 DISCUSSION AND POSSIBLE ACTION TO FORWARD TO THE BOARD OF TRUSTEES FOR THEIR CONSIDERATION AND ACCEPTANCE THE ANNUAL FOLLOW-UP OF THE NUTRITION SERVICES AUDIT**

Matt McMahon, Internal Auditor, presented the Annual Follow-up of the Nutrition Services Audit. Mr. McMahon told the committee that Lianka Soliz, the Nutrition Services Director, was unable to attend the meeting and he would relay any questions the committee had for her. The original audit was presented in June 2018 and evaluated whether unpaid balances could be decreased or mitigated and if the food service program could financially benefit from the Community Eligibility Provision. There were eleven recommendations offered, ten of which were agreed upon. At the time of this follow-up seven recommendations had been implemented. The follow-up focused on the three remaining open recommendations that relate to unpaid balances and focus on enforcing parental accountability and encouraging qualifying parents to continue submitting meal benefit applications.

Recommendation #2 pertains to referring bad debt to outside collections once in-house efforts have been exhausted. The Business Office is continuing to identify a debt collections services partner. Prior engagement with an agency partnering with the State Controller's Office was withdrawn by the firm before any accounts were referred. Appeal notices were distributed through March and April of 2019 and as of December 2019 four accounts were granted appeals and six accounts completed payment plans. Additionally, multiple accounts have applied for and were granted meal benefits. Nutrition Services represents a marked decrease in unpaid meal balances, as well as an increase in responsiveness, for school sites with a lower portion of their student population receiving meal benefits. Because a debt collections services partner has yet to be identified, this recommendation remains partially implemented.

Recommendation #3 concerns carrying over unpaid balances from 'paid' students, so in-house efforts may continue. Nutrition Services represents that a total of over \$51,000 was carried over as delinquent debt as of June 30, 2019. Including the carry over balance, current outstanding unpaid meal balances total just over \$100,000. This means the real current year unpaid balance totals approximately \$49,000, which reflects a downward trend from a balance of approximately \$74,000 at the same time last year. In-house collection efforts are ongoing as the department continues to reach out to parents and guardians, establish payment plans, and help assess meal benefit eligibility. Based on the carry-over of delinquent debt, this recommendation is considered fully implemented.

Recommendation #5 pertains to the documented collections procedure. Administrative Regulation 7547 – Student Meal Costs and Unpaid Charges – was adopted in October 2019. As a result, this item is considered fully implemented, as well.

Mr. McMahon asked the committee if they had any questions. There was a question about why it has taken so long to find a debt collection services partner. Mr. McMahon

replied that Nutrition Services had an agreement with an agency, and just as they were about to refer some accounts, the agency withdrew stating they were not accepting these types of accounts based on controversies in other states surrounding these types of accounts. The Chair asked Mr. McMahon if he felt that the steps taken have been effective. Mr. McMahon commented there has been a downward trend in unpaid balances and an increased response from schools with a lower percentage of free and reduced students. He further commented that he feels the steps taken are helping with the problem of unpaid meal balances. There was discussion around the documented collections procedure, the appeals process and write-offs, and the committee's concern that there be some timeline for finding a debt collection services partner.

**On motion by Ron Reigle, second by Russ Ruiz, the Audit Committee forwarded to the Board of Trustees for their consideration and acceptance the Annual Follow-up of the Nutrition Services Audit.** (Yea: Tom Doyle, Terri Avansino, Russ Ruiz, Ron Reigle, and Todd Shipley.) Final Resolution: Motion Carries 5-0.

## **2.05 PRESENTATION ON THE CHIEF AUDIT EXECUTIVE EVALUATION PROCESS**

Lisa Scurry, Board Services and Policy Coordinator, explained the timeline and process of the 2020 Evaluation of the Chief Auditor. Also present was Vangie Russell, Project Coordinator. Board policy states that on an annual basis the Audit Committee will evaluate the Chief Auditor and their evaluation will then go to the Board of Trustees. The plan is to have the evaluation to the Board of Trustees before the end of the school year at either their June 9 or June 23 meeting. The next meeting of the Audit Committee was moved up to May 14 in order to accommodate this timeline. The Chief Auditor will begin a self-evaluation in mid-April. An evaluation packet that includes the self-evaluation as well as the tool for the Audit Committee's evaluation will be provided to the Audit Committee as part of the May 14 meeting packet. Committee members will have an opportunity to discuss the evaluation rubric with the Chief Auditor at the May 14 Audit Committee meeting. Members will then individually evaluate the Chief Auditor and send their evaluation notes directly to the Board Services Department by May 27, 2020. Board Services will provide the evaluations to the President of the Board of Trustees by June 1, 2020. The evaluation tool has a numeric rubric as well as a place to provide notes. There was some clarification about the role the Audit Committee plays in the evaluation of the Chief Auditor.

## **2.06 PRESENTATION OF "REPORT FRAUD, WASTE, AND ABUSE" HOTLINE CONCERNS AND OUTCOMES SINCE NOVEMBER 7, 2019 MEETING OF THE AUDIT COMMITTEE**

Kirk Starkey, Chief Auditor, presented a summary of the status of cases reported to the "Report Fraud, Waste, and Abuse" hotline since the last Audit Committee meeting on November 7, 2019.

At the time of the last Audit Committee meeting there were five open cases remaining. Three of those five cases have been closed while the other two cases are still being worked. Of the three cases closed two of them were determined to have merit.

There have been five new cases reported since the last meeting. Of those five cases, one has been closed and the other four are still being worked.

The committee will be updated on the status of the six remaining open cases, as well as any new cases reported, at the next meeting.

Mr. Starkey clarified that before there is a determination of "merit" or "no merit," hotline cases may be handled internally by Internal Audit or handed off to the departments they pertain to such as School Police or Labor Relations to be investigated. The determination of merit or no merit is made after that process. He further explained that any cases on the spreadsheet noted as "N/A" under "Disposition" are cases that are being investigated by Internal Audit. Mr. Starkey told the committee that the Whistleblower Hotline supplements the Internal Audit Department's Risk Assessment by bringing notice to areas that may need attention and have a higher risk. Information about the hotline is posted on the bulletin boards of all the schools and administration buildings. There is also information about the hotline on the District website and the Superintendent has sent out information about the hotline to employees. The Grants Department recently put on a training which included information about accessing the hotline.

## **2.07 UPDATE AND DISCUSSION ON PROPOSED CONSTRUCTION AUDITING SERVICES FOR THE REVIEW OF THE CONSTRUCTION AND RENOVATION OF SCHOOL FACILITIES ASSOCIATED WITH THE WC-1 CAPITAL IMPROVEMENT PROGRAM**

Kirk Starkey, Chief Auditor, addressed the committee regarding the status of proposed construction auditing services. Since that last Audit Committee meeting, the global consulting company *Protiviti* has been selected to complete the construction auditing project. Their proposal estimates 570 hours for the engagement at a fee not to exceed \$95,000. Currently the District's Purchasing Department is working with the *Protiviti* team to finalize the last few terms and conditions of the contract. This is anticipated to be resolved later next week, and in the meantime, Internal Audit will be working with *Protiviti* and Capital Projects management and staff to coordinate an appropriate timeframe to initiate a project start date.

Mr. Starkey told the committee that the scope of the audit will be very broad and include onsite observations and inquiries, as well as gathering up a large amount of

data. A committee member commented that the audit will have the added value that contractors will know they are being monitored, as well as identifying hotspots that Internal Audit can follow-up on in the future.

The Chairman made some comments and emphasized it is important that the Board of Trustees, Purchasing Department, Capital Projects Department, or anyone else in the District will not direct *Protiviti* to audit a particular school or area. Rather, *Protiviti*, will be allowed to have an open field and audit whatever they want. He further commented that it is critical the auditors of the Internal Audit Department will be trained to some degree, so that when *Protiviti* leaves the Internal Audit Department has enough experience to perform audits of Capital Projects at least every six months. He added that *Protiviti* needs to look directly at expenditures to see how they measure up to comparable projects, ensuring that WC-1 monies are being properly spent.

**2.08 STATUS UPDATE ON THE ACTIVITIES OF THE INTERNAL AUDIT DEPARTMENT TO INCLUDE CURRENT PROJECTS ON THE INTERNAL AUDIT DEPARTMENT ANNUAL AUDIT PLAN FOR FISCAL YEAR 2020 THAT WAS PRESENTED TO AND APPROVED BY THE AUDIT COMMITTEE AT THE MAY 30, 2019 AUDIT COMMITTEE MEETING, THE HIRING OF AN INTERNAL AUDITOR, THE STATUS OF THE VACANT AUDIT COMMITTEE POSITION, PROPOSED CHANGES TO THE AUDIT COMMITTEE BYLAWS WITH REGARD TO THE COMPOSITION OF THE AUDIT COMMITTEE, AND THE FORMULATION OF A WHISTLEBLOWER POLICY FOR WASHOE COUNTY SCHOOL DISTRICT**

Kirk Starkey, Chief Auditor, updated the committee on the status of current Internal Audit Department projects. He first addressed the status of projects on the Audit Plan. Since the last meeting it was requested to move up the timeline of the Charter School monitoring in order to accommodate four of the Charter Schools being up for renewals this year. As a result, most of the work of the Internal Audit Department has been related to the Charter Schools. It is anticipated that the monitoring portion of this work will be completed by the end of February.

Mr. Starkey told the committee that the vacant Internal Auditor position has been filled. The new auditor is a CPA currently working in the District, and her anticipated start date is April 20, 2020.

He next gave an update on the vacant Audit Committee position. They are still currently seeking applicants for the position, and due to the difficulty in attracting volunteers, are considering amending the Bylaws to allow for one at-large member of the Audit Committee. A change to the Bylaws must go to the Board for approval.

Lastly, Mr. Starkey spoke to the committee about the formulation of a District Whistleblower Policy. Currently, there is no whistleblower policy and they are in the process of creating a draft policy to help guide the Whistleblower Hotline program.

## **2.09 PRESENTATION OF THE AUDIT COMMITTEE ANNUAL CALENDAR**

The committee was presented a calendar of proposed topics for the next four Audit Committee meetings. Mr. Doyle told the committee the calendar is for their consideration and planning purposes. If they see a problem with dates they can't attend or there is something they would like added to the agenda, they can let Mr. Starkey know.

## **3. CLOSING ITEMS**

### **3.01 ANNOUNCEMENT OF NEXT MEETINGS**

The next meeting of the Audit Committee will be Thursday, May 14, 2020 at 3:30 p.m.—WSCD Board Room.

### **3.02 PUBLIC COMMENT**

There was no public comment.

### **3.03 ADJOURN MEETING**

There being no further business, Chair Doyle adjourned the meeting at 4:23 p.m.