

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

February 8, 2018

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 3:32 p.m. in the Board Room of the Washoe County School District Administration Building, 425 E. Ninth Street, Reno, Nevada. Mr. Doyle introduced and welcomed the two new members of the Audit Committee: Jay Goldberg and Todd Shipley.

1.02 ROLL CALL

Committee Members Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley were present. Also present were Chief Auditor Paula Ward and Chief General Counsel Neil Rombardo.

1.03 PUBLIC COMMENT

There was no public comment at this time.

1.04 ACTION TO ADOPT THE AGENDA

It was moved by Mr. Ruiz and seconded by Ms. Miller **that the Audit Committee adopt the agenda as prepared by staff.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2. DISCUSSION, PRESENTATION, AND ACTION ITEMS

2.01 APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD NOVEMBER 9, 2017

Paula Ward, Chief Auditor, noted that there were a couple small grammatical corrections made to the meeting minutes after they were sent out to the Audit Committee, and that these changes did not affect the content of the minutes. It was moved by Mr. Brown and seconded by Mr. Goldberg **that the Audit Committee approve the minutes of the Audit Committee meeting held November 9, 2017.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.02 PRESENTATION AND DISCUSSION OF OPEN MEETING LAW

Neil Rombardo, Chief General Counsel, introduced himself for the record. Mr. Rombardo presented an explanation of open meeting law for the new Audit Committee members,

as well as a refresher for the other members. Nevada Open Meeting Law applies to “public bodies” which includes the Washoe County School District Board of Trustees and all subcommittees of the Board. It is the intent of the law that actions and deliberations of public bodies are conducted openly. Actions must be clearly delineated on an agenda that is provided to the public, giving them the opportunity for public comment. He cautioned the committee members that serial communications via text or e-mail could be violations of Open Meeting Law. Mr. Rombardo concluded that if the public body is not sure whether a certain action should be done in the open, it should always perform that act at a properly noticed open meeting and there will not be an Open Meeting Law issue. He then called for questions. The Chairman noted that it would not be a good practice to get even less than a quorum together to discuss an item. Mr. Rombardo agreed and recommended avoiding bringing two or three members together for any discussion to ensure that there is no violation of Open Meeting Law. There was no further discussion.

2.03 PRESENTATION AND DISCUSSION OF THE AUDIT OF NUTRITION SERVICES – COMMUNITY ELIGIBILITY AND UNPAID BALANCES, AND POSSIBLE ACTION TO RECOMMEND THE AUDIT BE SUBMITTED TO THE BOARD

Paula Ward, Chief Auditor, told the committee that they would postpone discussion of this item until Internal Audit provides the Audit Committee with the audit report in approximately two weeks. Ms. Ward called for questions and there were none. Mr. Doyle entertained a motion to postpone discussion of this item until the next meeting. It was moved by Mr. Shipley and seconded by Ms. Miller **that the Audit Committee postpone the discussion of the Audit of Nutrition Services until the next Audit Committee meeting.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.04 PRESENTATION AND DISCUSSION OF THE HUMAN RESOURCES – WAGE INACCURACIES AUDIT AND POSSIBLE DISCUSSION TO RECOMMEND THE AUDIT BE SUBMITTED TO THE BOARD OF TRUSTEES FOR APPROVAL

Kathy Callen, Internal Auditor, presented the Human Resources – Wage Inaccuracies Audit. With her were Anna Savala, Human Resources Coordinator, and Dawn Huckaby, Chief Human Resources Officer. The audit was performed at the request of the Superintendent because nineteen administrators were overpaid professional growth wages and ninety-eight teachers receiving signing and/or retention bonuses were also over or underpaid. The objective of the audit was “Can Human Resources Reduce Wage Inaccuracies?” Ms. Callen summarized the findings, recommendations, and management responses. Audit Committee members asked questions and received answers from the auditor and management. There was no further discussion and the Chairman called for a motion. It was moved by Mr. Shipley and seconded by Mr. Goldberg **that the Audit Committee forward the Human Resources - Wage Inaccuracies Audit to the Board of Trustees for approval.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.05 PRESENTATION AND DISCUSSION OF THE ANNUAL FOLLOW-UP OF THE OFFICE OF BUSINESS AND FINANCIAL SERVICES – PROPERTY CONTROL DEPARTMENT AUDIT, AND POSSIBLE ACTION TO RECOMMEND THE FOLLOW-UP BE SUBMITTED TO THE BOARD OF TRUSTEES FOR APPROVAL

Kathy Callen, Internal Auditor, presented the annual follow-up of the Property Control Audit. With her were Mark Mathers, Chief Financial Officer, and Robert Carson, Business Manager. The audit was originally presented on March 23, 2016. The objective of the audit was "Can Property Control Department Processes be Improved?" The original report contained sixteen recommendations. At the time of this annual follow-up, eleven recommendations were implemented, two were no longer applicable, and three were partially implemented. Ms. Callen asked if there were any questions about specific recommendations. The Chairman asked Ms. Callen to summarize the recommendations that have been implemented, and Ms. Callen provided the committee with a summary. She then highlighted the recommendations that are partially implemented, and Mr. Carson commented on the recommendations as well. There were no further comments or questions and Mr. Doyle called for a motion. It was moved by Ms. Miller and seconded by Mr. Ruiz **that the Audit Committee forward the Annual Follow-up of the Office of Business and Financial Services - Property Control Audit to the Board of Trustees for approval.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.06 DISCUSSION OF THE AUDIT OF WORKERS' COMPENSATION

Paula Ward, Chief Auditor, asked to move this item to the discussion of Internal Audit Department Resources under agenda item 2.09. This was acceptable to the committee and Mr. Doyle moved this item to 2.09.

2.07 DISCUSSION OF THE FOLLOW-UP OF THE DISTRICT'S TRANSPORTATION DEPARTMENT AUDIT

Paula Ward, Chief Auditor, asked to move this item to the discussion of Internal Audit Department Resources under agenda item 2.09. This was acceptable to the committee and Mr. Doyle moved this item to 2.09.

2.08 PRESENTATION AND DISCUSSION OF THE EVALUATION TOOL FOR THE CHIEF AUDITOR AND POSSIBLE ACTION TO RECOMMEND THE EVALUATION TOOL BE SUBMITTED TO THE BOARD OF TRUSTEES FOR APPROVAL

Paula Ward, Chief Auditor, explained to the committee that the process of evaluating the Chief Auditor began last year and has now been put into policy. Also present were Vangie Russell, Office of the Chief of Staff Project Manager, and Dawn Huckaby, Chief Human Resources Officer. Ms. Ward worked with Ms. Russell to come up with an evaluation tool

for the Chief Auditor. The tool is based upon the standards used for evaluating other administrators and the strategic plan, and also incorporates the Red and Yellow Book standards used by the Internal Audit Department. The tool is brought before the Audit Committee so they can provide feedback and suggest any additions or changes. Once approved by the Board, the tool will be individually completed by the members of the Audit Committee and forwarded to Board Services for submission to the Board of Trustees. Ms. Miller commented that the criteria and categorization in the evaluation tool are clear, but it does not have a rating scale. The Chairman asked if there was a school district standard for rating scales. Ms. Huckaby told the committee that, for teacher and licensed administrator evaluations, a four-point scale system is used with one being ineffective and four being highly effective. It was moved by Mr. Goldberg and seconded by Mr. Shipley **that the evaluation tool for the Chief Auditor be submitted to the Board of Trustees for approval with the adjustments discussed by the Audit Committee, specifically, adding a four-point rating scale, putting continuous improvements under one section, removing the reference to promoting the principle that every child can learn and succeed, and correcting grammatical errors.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.09 DISCUSSION OF INTERNAL AUDIT DEPARTMENT RESOURCES

Paula Ward, Chief Auditor, addressed the Audit Committee about Internal Audit Department resources. The Workers' Compensation Audit and the follow-up of the Transportation Audit (agenda items 2.06 and 2.07) were in process before the Internal Audit Department lost two staff. There are currently two full-time auditors in the department versus four at the same time last year. The Proposed Audit Plan Summary provided to the Audit Committee, shows that budgeted project hours exceed available staff hours. One full-time position was lost due to budget cuts. The position most recently vacated in December 2017, is currently on hold due to a hiring freeze in place until July 2018. The position needs be taken to the "freeze committee" to see if they would make the recommendation to the Board to fill the position. Ms. Miller asked Ms. Ward if, in her judgement, there are relatively higher risk audits her department will not be able to complete in a reasonable period. Ms. Ward answered that she does not have the resources needed to complete the audits. The priority of the scheduled audits will be based on the risk assessment. Ms. Miller commented there is a significant resource limitation that the Audit Committee needs to bring to the attention of the Board. Mr. Rombardo commented that this item, as agendized, is for discussion only and that it would have to be brought back at the next meeting and clearly agendized as an action item. Mr. Doyle commented that they could bring this topic to the Board's attention under item 2.10. There was then some discussion with the Audit Committee as to how the audit work hours are calculated.

2.10 DISCUSSION OF THE CURRENT AUDIT PLAN AND POSSIBLE ACTION TO MAKE CHANGES TO THE PLAN

Mr. Doyle began the discussion of the current audit plan. He recommended that the department first do any audits that are legally required and finish any audits that they are heavily into progress on. After that, they will need to prioritize what is left on the audit plan. Ms. Ward told the committee that she hired an intern specifically to work on student activity fund audits. The financial review of charter schools is mandated, and there are three charter schools up for renewal this year that take time, as well. There is a priority to complete the Workers' Compensation Audit, and the update of the Transportation Audit. Of the department audits on the schedule, the West Ed follow-up is high on the risk assessment. There is a possibility that funds outside of the Internal Audit Department could be used to hire a construction auditor that focuses on Capital Projects, as was done in the past. Internal Audit helped with research on priority-based budgeting and will hold off on the audit of Budget for now. Mr. Goldberg asked if the Audit Committee should have a meeting before the next scheduled meeting on May 23, 2018. Mr. Doyle commented that it seems warranted to have a meeting before May and it would be possible find a date for an additional meeting. Mr. Doyle will present to the Board on February 27 to update them on the meeting. At that time, he can talk about changes to the audit plan because of reduced staff. Mr. Rombardo advised the committee about how to word a motion for this item. It was moved by Mr. Shipley and seconded by Mr. Goldberg **that the Chairman of the Audit Committee advise the Board of Trustees of the FTE issues related to completion of the audit plan and that there will be changes to the plan as a result.** The result of the vote was unanimous. (Yea: Terri Avansino, Randy Brown, Tom Doyle, Jay Goldberg, Patty Miller, Russ Ruiz, and Todd Shipley) Final Resolution: Motion Carries.

2.11 DISCUSSION OF THE AUDIT COMMITTEE FOUR-YEAR CALENDAR

Paula Ward, Chief Auditor, explained that the four-year calendar is a tool for the committee to help them know what they will be putting on the agenda and discussing each quarter. The calendar has been changed to reflect the shift from calendar year to fiscal year. There was some discussion about the effectiveness of and need for the four-year calendar, as opposed to a one-year calendar. Mr. Goldberg asked about dates for meetings for the rest of the year. Lisa Scurry, Board Services, told the Audit Committee that they are one of the only committees that does not have a standard calendar, and she would prefer to have a standard calendar where the committee meets four months of the year on a specific day of the month. (Patty Miller left the meeting at 5:15 p.m.)

2.12 PRESENTATION AND DISCUSSION OF "REPORT FRAUD, WASTE, AND ABUSE" HOTLINE CONCERNS AND OUTCOMES SINCE NOVEMBER 9, 2017 MEETING OF THE AUDIT COMMITTEE

Paula Ward, Chief Auditor, reported on the concerns that have come into the hotline since the last meeting of the Audit Committee. There were four concerns and all have been closed. There was no further discussion.

2.13 UPDATE ON THE ACTIVITIES OF THE INTERNAL AUDIT DEPARTMENT

Ms. Ward told the committee that the activities of the Internal Audit Department were covered under other agenda items and so there was no discussion under this agenda item.

3. CLOSING ITEMS

3.01 ANNOUNCEMENT OF NEXT MEETINGS

The next meetings of the Audit Committee will be on Wednesday, May 23, 2018 3:30 p.m. - WCSD Board Room

3.02 PUBLIC COMMENT

There was no public comment at this time.

3.03 ADJOURN MEETING

The meeting was adjourned at 5:19 p.m.