

**Audit Committee Meeting  
February 4, 2022 – 10:00 AM  
Superintendent's Conference Room**

**Meeting Minutes**

**Audit Committee Members Present**

Linda Nelson, Audit Committee Member  
Jim Davis, Audit Committee Member  
Herbert Bailey, Audit Committee Member  
Pat Weaver, Audit Committee Member  
Julie Lefteris, Audit Committee Member

**Leon County School Board Staff Present**

Rocky Hanna, Superintendent  
Opal McKinney-Williams, School Board Attorney  
Livetra Paul, Director of Internal Auditing  
Alvin Black, Internal Auditor  
Kim Banks, Chief Financial Officer  
Naomi Coughlin, Director off Budgeting  
Kathy Sanders, Director of Financial Services  
Dana Earnest, Executive Assistant

**Guest Presenters**

Ryan Tucker, Purvis Gray & Company  
Megan Camp, Purvis Gray & Company

**Call to Order**

The meeting was called to order at 10:06 AM by Audit Committee Vice Chair Linda Nelson.

**Approval of Meeting Agenda**

The meeting agenda was unanimously approved. The motion was provided by Julie Lefteris and seconded by Jim Davis.

**Approval of Prior Meeting Minutes**

The committee unanimously approved the meeting minutes from the December 17, 2021 audit committee meeting. The motion was provided by Julie Lefteris and seconded by Pat Weaver.

## **Audit Committee Report to School Board**

The Audit Committee had not provided a quarterly update to the Leon County School Board (LCSB) since the last regularly scheduled meeting of the Audit Committee.

## **Audit Reports – External**

Ryan Tucker and Megan Camp, representatives from Purvis Gray & Company, presented the audit results for the following audits:

- District wide Financial Statement Audit for fiscal year ending June 30, 2021
- Internal Accounts Audit for fiscal year ending June 30, 2021

Ryan Tucker presented the results of the Districtwide Financial Statement Audit and provided an overview of the *Communication for Those Charged with Governance*. He noted that the District received an unmodified opinion which is the highest level of assurance any entity can receive from a CPA firm. Additionally, he noted that the audit was completed on schedule. The highlights from these Districtwide audit deliverables are as follows:

### **Communication for Those Charged with Governance – District Financial Audit**

This report detailed progress/status on overall audit activities and covers information that would be of interest to the audit committee such as:

- There was a new accounting policy implementation of GASB 84 – Fiduciary Activities. This pronouncement changed the reporting of Internal Accounts from an Agency Fund to a Special Revenue Fund.
- There were estimates based on actuarial studies for depreciation, other post-employment benefits (OPEB) and net pension liabilities. All of the estimates were reasonable and fairly conservative.
- There were no difficulties with management.
- There were some adjustments made to the financial statements for accounts payable (late invoices related to construction), Other Employee Benefits Trust Fund, Capital Assets, and GASB 84.
- There were no disagreements with management.
- There were no consultations with other auditors.
- A new accounting pronouncement, GASB 87 – Leases, must be implemented next fiscal year. This pronouncement may impact reporting for copier leases.

### **District Financial Statements**

This report included the audit results from the audit of the *District Financial Statements*. The following highlights were provided:

- Purvis Gray & Company issued an unmodified opinion on the financial statements which means that the financial statements were fairly presented and in accordance with GAAP. This is the highest level of assurance provided by an external CPA firm. Mr. Tucker

noted that there was an emphasis of matter related to the implementation of GASB 84 - Fiduciary Activities which had a relatively significant impact on the financial statements.

- Managements Discussion and Analysis was prepared by the District's Finance Staff. This section included a comparative analysis from prior years. The following topics were noted:
  - CARES Act funds in the amount of \$17 million were received by the District. The funds were used to cover some expenses that would have been normally covered by the General fund such as payroll expenses.
  - General fund (unassigned and assigned) balances totaled approximately 14.2% of total revenue which suggest that the district is in good shape financially.
- The Note Disclosures included required disclosures under GAAP pronouncements. GASB 84 resulted in the need for a new note disclosure. The implementation of GASB 84 required a restatement of just over \$4 million which increased the balance in the Special Revenue Fund. Some of the other note disclosures included in this section were related to investments, capital assets, long term debt, and the pension plan.
- The comparison of budget vs. actual for the General fund is included in the Required Supplementary Information. This comparison includes the original budget, budget amendments, the actual budget and variances. The highlights were as follows:
  - Revenues and expenses were under budget. Some expenses were shifted to CARES Act funds which helped expenses posted to the General fund come in significantly lower than projected.
- The Federal Single Audit included the PELL Grant (\$2 million), CARES Act (\$18 million) and Title I Grant (\$11 million). There were no findings related to any of the federal programs.
- There were two reportable findings related to the Financial Statement Audit as follows:
  - Capital Assets – There were material differences between fixed asset subsidiary ledgers maintained in the Skyward accounting system and the Annual Financial Report (AFR). Also, significant adjustments were needed to correct Construction In Progress (CIP) schedules. Per the external auditors, this finding is mainly related to difficulties with Skyward Accounting Software.
  - Payroll Reporting – The payroll policies were circumvented at Chiles High School. The District has implemented procedures to resolve these concerns.
- The District provided a management response to the findings included in the audit report.
- Other comments related to the District Financial Audit were as follows:
  - Long-Term Debt has been reduced to approximately \$137 million which is a reduction in debt of approximately \$104 million in the past 5 years. If the District is able to continue as currently operating, they should be debt free in the 2027-2028 fiscal year.

- The \$10 million purchase for Chromebooks has been paid off.
- The payroll finding related to the Chiles High School investigation that was discussed by the Superintendent at the December 17, 2021 Audit Committee meeting. Since that meeting, the Florida Division of Administrative Hearings (DOAH) has upheld the District's recommendation which will go before the School Board for determination of disciplinary action. Further, procedures have been put in place to prevent this situation from reoccurring.

Meagan Camp presented the results of the school internal accounts audits by providing an overview of the *Communication for Those Charged with Governance* and the *Internal Accounts Audit Report*.

#### *Communication for Those Charged with Governance – Internal Accounts*

This document is substantially the same as the *Communication for Those Charged with Governance – District Financial Statement* because Internal Accounts is a Special Revenue Fund of the District. The only differences between the District financial communication and the Internal Accounts communication are as follows:

- The only estimate attributable to internal accounts is the estimates for the allowance for doubtful accounts at Lively Technical Center. This estimate is based on balances due for fees for students who leave the program without completing the program and have scholarship funds that must be repaid. This estimate is on the books to prevent students from registering again without remitting outstanding fees. There is a historical collection rate of approximately 1% on this account.
- There is no disclosure for GASB 87 – Leases because all of the leases are at the District level.
- There is no supplementary information disclosure because the Internal Accounts Report does not include supplementary information.

#### *Internal Accounts Audit*

- Purvis Gray & Company issued an unmodified opinion for Internal Accounts.
- As a result of the implementation of GASB 84, nothing really changed. Essentially, the change is only related to where and how the information is reported.
- There were differences between this year's report and last year's report due to the implementation of GASB 84 – Fiduciary Activities that included the following:
  - A Balance Sheet to replace the Statement of Fiduciary Net Position
  - The Statement of Revenues, Expenditures and Change in Fund Balance for Internal Accounts was added.
  - The Notes now include Fund Balance Disclosure, Special Revenue Disclosure and details for implementation of GASB 84.

- A change in reporting due to GASB 84 (changed from liability item to a restricted for student activities item).
- The findings included in the Internal Accounts Audit Report are as follows:
  - 21.01 – Internal Control Over Financial Reporting for the Internal Accounts - At Lively Technical College, the accounting system (FOCUS) is not capable of creating the reports and/or level of detail necessary to meet the requirements of GASB 84 reporting. Lively Technical College staff has developed an interim fix until FOCUS upgrades their reporting capabilities. With the plan that will be implemented by Lively staff and the LCS Finance Department, this finding should not repeat next year.
  - 21.02 – Segregation of Duties Over Receipting Function - This finding is the result of limited staffing levels at each school site. This finding will most likely reoccur each year.
  - 21.03 – Internal Accounts Disbursement – This finding is related to deviations from existing policies and procedures for internal accounts disbursements. Due to the volume of transactions and the number of school sites in the District, this finding will most likely reoccur each year.
  - 21.04 – Internal Accounts Receipts – This finding is related to deviations from existing policies and procedures for internal accounts receipts. Due to the volume of transactions and the number of school sites in the District, this finding will most likely reoccur each year.
  - 21.05 – Internal Accounts Ticketed Events – This finding resulted from deviations between the number of tickets sold and the amounts documented on the ticket seller reports. This finding may not reoccur due to the use of an online ticket portal by many school sites.
  - 21.06 – Internal Accounts Bank Statements and Reconciliations – This finding is due to not completing the internal accounts monthly reconciliation in accordance with district policy. There has been some improvement in this area; however, this finding is likely to reoccur each year.
  - 21.07 – Internal Accounts Fee Accounts – This finding is a result of excess funds accumulation in Internal Accounts fee accounts. There has been some improvement in this area; however, this finding is likely to reoccur each year.
  - 21.08 – Internal Accounts General Findings – This finding is a result of some school groups not submitting budgets or inventory reports, etc. This finding also includes other deviations from internal accounts policy and/or procedure. There has been some improvement in this area; however, this finding is likely to reoccur each year.
- All of the current year findings, with the exception of the Lively Technical College finding, are repeat findings due to the nature of internal accounts. There have been

discussions about updating the reporting of these findings to written recommendations based on improvements or reductions in the number and occurrence of exceptions. These updated procedures are under consideration for the upcoming audit cycle.

### **General Discussion**

Audit Committee Member Herbert Bailey inquired about whether CARES Act funds were included in the bottom line of the financial statement totals. Ryan Tucker with Purvis Gray stated that the revenues are basically equal to the expenditures. Audit Committee Member Herbert Bailey restated his question to include an additional inquire about the continued use of grant funds to cover normal operating expenditures when these funds will not be available in future year. He questioned whether this could lead to potential funding issues in the future. Ryan Tucker stated that the Governmentwide statements are impacted by Pension liabilities, OPEB liabilities and fix asset depreciation. The Government-wide financial statements provide a more long-term focus; whereas, the District is more concerned with funds received on a yearly basis. Per Mr. Tucker, the District should be fine when considering the year to year budget.

CFO Kim Banks noted that the fund balance is the highest that it has ever been. Operational changes were made at the district level to reserve funds that might be necessary to use as a cushion as the district rebounds from the pandemic. The portion of the CARES Act funds that impacted the General fund was approximately \$12 million of the \$17 million. These funds were used to keep staffing levels unchanged even though FTE levels decreased. At some point, changes will be made to staffing levels at the school sites.

In addition, Superintendent Rocky Hanna shared that the District is awaiting \$60 million in funding sent by the Federal government that has yet to released by the State. These funds will also be used to maintain staffing levels if/when they are received. At some point, the District will not be able to continue to maintain the same staffing levels since these are not reoccurring dollars.

Audit Committee Member Jim Davis raised a question about the remaining contract length for the external audit firm. Ryan Tucker stated that the firm has one year remaining in the contract. Livetra Paul, Director of Internal Auditing, shared that the audit committee serves as the selection committee for the District's external audit firm. When the time comes to issue an RFP for selection of a new audit firm, the Audit Committee will be involved in that process.

Superintendent Hanna raised a question about a school board member serving as chair of the audit committee and the potential for a conflict. Board Attorney McKinney-Williams stated that the audit committee should not have discussion or make any recommendations regarding the Chiles High School investigation until after the School Board has taken final action. After the school board's final action, the Audit Committee can have discussions and make recommendation to the school board. Statue requires a member of the school board to serve as audit committee chair which could potentially create a conflict of interest. Board Attorney Opal

McKinney-Williams recommended that the potential conflicts be evaluated on a case by case basis by the District's legal counsel.

#### **Office of Internal Auditing Annual Work Plan**

The Office of Internal Auditing Work Plan update will be provided at the next regularly scheduled audit committee meeting.

#### **Public Comments**

There were no public comments.

#### **Future Meeting Dates**

The Audit Committee Quarterly Report to the School Board will be presented at the February 22, 2022 LCSB meeting. Jim Davis will present the report on behalf of the Audit Committee.

The next regularly scheduled Audit Committee meeting will be held on April 15, 2022.

#### **Adjournment**

The meeting was adjourned at 11:03 AM.