

**Audit Committee Meeting
March 21, 2024 – 10:00 AM
Bloxham Building Ground Floor Conference Room**

Meeting Minutes

Audit Committee Members Present

Darryl Jones, Audit Committee Member
Linda Nelson, Audit Committee Member
Pat Weaver, Audit Committee Member
Shelby Green, Audit Committee Member
Michelle Clark, Audit Committee Member
Jana Sayler, Audit Committee Member

Leon County School Board Staff Present

Opal McKinney-Williams, School Board Attorney
Livetra Paul, Director of Internal Auditing
Dana Earnest, Executive Assistant
Naomi Coughlin, Chief Financial Officer
Kathy Sanders, Director of Budget & FTE
Remera Jones-Haynes, Director of Financial Services

Call to Order

The meeting was called to order at 10:21 AM by Audit Committee Chair Darryl Jones.

Approval of Meeting Agenda

The meeting agenda was unanimously approved. The motion was provided by Linda Nelson and seconded by Pat Weaver.

Approval of Meeting Minutes

The committee unanimously approved the meeting minutes from the February 17, 2023 audit committee meeting. The motion was provided by Linda Nelson and seconded by Pat Weaver.

Audit Committee Chair, Darryl Jones, provided opening comments and thanked the committee for their service to Leon County Schools. He also welcomed new audit committee members: Shelby Green appointed by School Board member Rosanne Wood and Jana Sayler appointed by School Board member Laurie Cox. The remarks provided by Audit Committee Chair Jones were followed by introductions from each meeting attendee.

Audit Committee Report to School Board Status Update

NO UPDATE PROVIDED - Jim Davis provided a report to the School Board on behalf of the Audit Committee on February 28, 2023. Mr. Davis resigned from the Audit Committee in September of 2023 due to retirement and residence in another county. Therefore, an update regarding the report or any comments shared during the School Board meeting is not available.

LCS Financial Overview

Naomi Coughlin, Chief Financial Officer, along with her team (Kathy Sanders, Director of Budget & FTE and Remera Jones-Haynes, Director of Financial Services) provided a financial overview. The highlights are documented below:

- During the current legislative session, District funding increased by approximately \$9 million.
- Funds were not provided for new textbook adoptions at approximately \$2 to \$2.5 million, Teacher Salary Increase Allocation (TSIA) at approximately \$2.1 Million, Teacher Supply funds at approximately \$600,000, and increased cost of insurance.
- From the \$9m increase, the District has about \$1 million of new unrestricted funds.
- Next year, there will be numerous increased costs including health insurance and utility costs.
- The new fund balance will be less than last year because expenses have gone up. The District is still in a sound financial position and will end up with a balanced budget with a reasonable fund balance remaining.
- ESSER (Elementary and Secondary Schools Emergency Relief Fund) funding is no longer available. These funds were approximately \$100 million that flowed through the District over the past 3 years. They were used to cover a lot of expenses that kept the District float and allowed the district the ability to have a good fund balance. The Superintendent and School Board will need to decide which services will be maintained and/or discontinued since this funding is no longer available.
- FTE per student increased by approximately \$200; however, instructional materials and teacher salary increase must come out of this.
- The District is not projecting any student enrollment losses from the current year. The District is not growing or losing any students.
- Family Empowerment Scholarship funding increased about \$6 million which represents about 600-800 students in Leon County that can utilize these scholarships.
- Retirement contribution rates did not increase during this legislative session.

Ms. Coughlin announced to the committee that she will be retiring from Leon County Schools at the end of April 2024. Kathy Sanders, Director of Budget & FTE will be her replacement. Chair

Jones provided complimentary words to the Finance and Auditing staff for their outstanding service and dedication to the Leon County School District.

Audit Reports

Livetra Paul, Director of Internal Auditing, provided an overview of the District's Financial, Operational and Internal Accounts Audits. Highlights from these audit reports are as follows:

External Reports

- ***Financial Audit Report*** - The State of Florida Auditor General's Office issued a Financial Audit Report for fiscal year ending June 30, 2023 in February 2024.
 - The District received an Unmodified Opinion which is the highest level of assurance an agency can receive from a CPA firm.
 - There were no findings in the audit report. Additionally, there were no exit conference comments.
 - The District has received a Financial Audit with no findings for the last 2 audit cycles.
 - From a historical perspective, the number and significance of audit findings included in District Financial Audits has decreased significantly over the past several years. The fact that the district has received financial audits with no reportable findings for several years speaks to the hard work, dedication, commitment and expertise of all staff. It is rare for any entity to undergo a comprehensive audit of this nature and not receive any audit findings for several years.
- ***Operational Audit Report*** – The State of Florida Auditor General's Office issued an Operational Audit Report of the Leon County District School Board in September of 2023.
 - The report included four findings. The finding and recommendations were related to maintaining adequate documentation to support payments for school resource officers, enhancing the process for tracking attractive property items, and ensuring that clock hours and fees are properly reported and/or assessed for the Adult General Educational program.
 - Operational Audits assess compliance with established guidelines.
 - The District submitted documentation to support implementation of corrective actions in accordance with State guidelines (within 45 days and 180 days of issuance of the report).
 - All corrective actions have been fully implemented in response to any finding and recommendations included in the report.
 - The exact wording for each finding and recommendation is provided below for reference:
 - **Finding 1:**
District controls over school resource officer services could be improved.

Recommendation:

To demonstrate compliance with State school safety laws, the District should document verification that at least one SRO was present during school hours at each school before payments for SRO services are made.

▪ **Finding 2:**

Contrary to Department of Financial Services rules and Board policies, the District did not always properly account for attractive property items, which have a heightened risk of theft.

Recommendation:

The District should continue efforts to ensure that all attractive items are entered into the District property records to enable staff to appropriately account for these items. Such efforts should include identifying attractive items in the expenditure records instead of relying solely on department and school personnel input.

▪ **Finding 3:**

District procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Recommendation:

The District should enhance controls to ensure that instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine the extent that adult general education hours were misreported for the Fall 2022 and Spring 2023 Semesters and contact the FDOE for proper resolution.

▪ **Finding 4:**

Adult general education program students were assessed and paid fees totaling \$18,000; however, contrary to State law, the Board did not establish the fees and \$9,900 of the fees were for technology, which may not be assessed to those students.

Recommendation:

The District should continue efforts to ensure that fees for the adult general education program comply with State law. Such enhancements should include procedures to identify each respective fee and related amount on the fee schedule and for someone other than the Assistant Director to review the fee schedule and verify compliance with State law. In addition, the Board should establish the fees before students enroll in the program.

- **Internal Accounts Audit Report** – Purvis Gray issued the Financial Statements and Independent Auditor’s Report for School Internal Accounts for fiscal year ending June 30, 2023 in December 2023.
 - The report included eight findings. The finding and recommendations were related to adequate internal controls over financial reporting at Lively Technical College; segregation of duties for employees responsible for collecting funds at each school site; maintenance of appropriate documentation and adherence to established policies and procedures for cash disbursements, cash receipts, ticketed events and fee accounts; and timeliness of monthly reconciliation efforts.
 - All current year findings are repeat finding from prior years.
 - Due to the volume of transactions and decentralized nature of school internal accounts, the District does not anticipate the elimination of these findings. Further, the audit methodology utilized includes just one instance of non-compliance (i.e. one late deposit) throughout any district school site as a reportable finding.
 - The District has seen significant improvement related to internal accounts. The number of instances where district school sites have failed to comply with established guidelines has significantly decreased over the past several years.
 - The detailed wording for each finding and recommendation is provided below: Findings included in the School Internal Accounts Audit Report are as follows:
 - **Finding 1:**
Lively Technical College’s FOCUS system is incapable of producing an accurate trial balance, maintaining accurate subsidiary ledgers for accounts receivable and accounts payable balances, or producing sufficiently detailed and complete reports which would allow for the direct derivation of these balances.
Recommendation:
Lively Technical College, in conjunction with District finance personnel, assess the current financial reporting capabilities within the FOCUS financial reporting modules, determine whether FOCUS offers any ancillary financial reporting modules which would allow the location to produce accurate financial records, and, if not, to assess the need for additional or replacement financial reporting software in order to rectify the lack of availability of appropriate financial records.
 - **Finding 2:**
Instances were identified where the bookkeeper is the sole individual responsible for recording verifications of receipted funds, depositing cash, and recording transactions into the general ledger.

Recommendation:

We recommend that the District continue its existing efforts to mitigate the segregation of duties issue and continue to emphasize the importance of controls over cash receipting and bank deposits. Additionally, we recommend that each school assign an unrelated individual to cross-check total monies collected against the validated deposit slip after the deposits have been made.

▪ **Finding 3:**

There were several instances where adequate preapproval for purchases was not obtained, invoices/receipts were missing or lacked proper approval, and/or supporting documentation for purchases was not adequately maintained. Additionally, several transactions were p-card sign-in/sign-out procedures were not followed, purchases in excess of established limits lacked documentation of pre-approval, and transactions were not accompanied by a p-card requisition form.

Recommendation:

To comply with the District's Internal Accounts manual, we recommend the following:

- Each school should maintain documentation to support the purchase and related disbursements made, and all documentation evidencing disbursements should be retained and filed in a manner that makes it easily accessible.
- A purchase order should be utilized when a purchase of an individual item exceeds \$100, or a total invoice is \$500 or more, and each purchase order should have documented approval by the principal before the purchase is made. Furthermore, each purchase order exceeding \$1,500 should be submitted to the District's Purchasing Department for approval.

▪ **Finding 4:**

Several instances were noted where receipted monies were not deposited by the bookkeeper within three working days, supporting documentation was incomplete or missing, fundraiser approval forms and related budgets were not prepared prior to the event, and/or deposit totals did not agree to the related report of monies collected.

Recommendation:

To comply with the District's Internal Accounts manual, we recommend the following:

- Monies collected should always be remitted to the bookkeeper no later than the next school day, and all funds collected by the

bookkeeper should be deposited within three school days of receipt. Additionally, a deposit should be made on the last day of each week so that cash is not kept in the schools over the weekend where possible, and a deposit should be made on the last day of each month to facilitate the closing of that month's books.

- Each school should retain all applicable supporting documentation for cash receipts and such documentation should be filed in a manner that makes it easily accessible.
- Fundraiser approval forms should be completed and should show evidence of event approval prior to the date of the event for any fundraising event to be engaged in for the benefit of a school program or the general student population.
- Receipts and Reports of Monies Collected should be reviewed prior to completion of deposit for completeness and accuracy. Pre-numbered receipts should be utilized in order for any individual cash receipt in excess of \$5.00, with the reason for any gaps documented.

▪ **Finding 5:**

Several instances where monies collected were not remitted timely to the site bookkeeper, as well as certain instances of failure to reconcile tickets sold to monies collected were noted.

Recommendation:

We recommend that ticket sales logs be maintained for each individual ticketed event occurring during the year.

▪ **Finding 6:**

Several instances of bank reconciliations not being prepared and or approved in a timely manner and/or lacking satisfactory documentation of date of receipt/approval.

Recommendation:

All bank accounts be reconciled by the bookkeeper and approved by the principal within 15 days of the end of each month and that all approvals are appropriately dated/documented.

▪ **Finding 7:**

Instances of significant end-of-year excesses in fee accounts which were not reimbursed to students, some of which represented a buildup of multiple prior years' fees, over-expenditure of fee accounts resulting in negative balances requiring transfers of general funds to cover the deficit,

and comingled fee and non-fee funding sources within a single account were noted.

Recommendation:

All fee accounts should be analyzed prior to the end of each school year to determine whether any fee accounts contain excess funds which should be reimbursed to students, fee accounts should be monitored on an ongoing basis to ensure that no over-expenditures occur, and all fee and non-fee funding sources should be maintained in separate accounts.

▪ **Finding 8:**

Several instances of non-compliance with the general District policies and procedures and best practices were noted.

Recommendation:

All District employees should familiarize themselves with and adhere to all general District policies and procedures.

Internal Reports

- Due to time constraints, the discussion of the Office of Internal Auditing and any ongoing projects was deferred to a future meeting.

Office of Internal Auditing Annual Work Plan

Ms. Paul shared that the office was down one staff member due to a district wide review process. She also shared that staff is working to accomplish tasks with the current resource limitations. A more comprehensive update will be provided at a future meeting.

Public Comments

There were no public comments.

Future Meeting Dates

The presentation of the Audit Committee Quarterly Report to the School Board will be held on April 23, 2024. Jana Saylor will provide the report on behalf of the committee.

The next Audit Committee meeting will be determined at a later date.

Adjournment

The motion for adjournment was provided by Michelle Clark and seconded by Jana Saylor. The meeting was adjourned at 11:29 AM.