

**Tucson Unified School District No. 1
Governing Board Audit Committee Meeting
Board Conference Room, Morrow Education Center
1010 East Tenth Street
Tucson, Arizona 85719**

**September 28, 2018
2:30 p.m.**

MINUTES

Committee Members Present:

Jimmy Lovelace, Chair
Darin Guthrie, Vice-Chair
Charles Kill
Bernie Wiegandt

Committee Members Not Present:

Ravi Grivois-Shah
Rachel Wall

Others Present:

Michael Hicks, Governing Board President [left @ 3:09 p.m.]
Sabra Castle, District Cashier, Financial Services
Kathy Parris, Attendance Reporting System Analyst, Financial Services
Christina Cruz, Sr. Accounting Manager, Financial Services
Mike Dunn, Financial Systems Analyst
Rabih Hamadeh, IT Infrastructure Director, Technology Services [arr @ 2:37 p.m.]
Blaine Young, Chief Technology Officer, Technology Services [arr @ 2:19 p.m.]
Janet Rico Uhrig, Executive Director, Human Resources [arr @ 2:05 p.m.]
Renee Weatherless, Executive Director, Financial Services
Robert S. Ross, Jr., General Counsel
Michele C. Gutierrez, Senior Staff Assistant I to the Governing Board

ITEM

ACTION

CALL TO ORDER – 2:33 p.m.

Audit Committee attendance was established via self-introductions.

INFORMATION ITEM

1. Introduction of New Committee Member – Ravi Grivois-Shah
Item Postponed.

CALL TO THE AUDIENCE

Audit Committee Chair, Jimmy Lovelace read the protocol for CTA. Person who spoke at Call to the Audience was: Lillian Fox re: Online Anonymous Complaints, 301 Monies payout and budget.

Audit Committee Chair Jimmy Lovelace asked if committee members wanted to respond to Call to the Audience.

Jimmy Lovelace commented.

ACTION ITEMS

2. August 17, 2018 Minutes

Darin Guthrie moved; Bernie Wiegandt seconded. Approved 4-0 in a voice vote.

Jimmy Lovelace moved to address Item 8 and Item 4 after Item 2.

Jimmy Lovelace moved; Bernie Wiegandt seconded. Approved 4-0 in a voice vote.

STUDY/ACTION ITEMS

8. Fiscal Year 2017-2018 Year-to-date Profit and Loss Statement for (each) Fund: 520, 521 and 522 No action required.
- Renee Weatherless

Jimmy Lovelace started the discussion with reviewing the operating statements and presentation for the Infant Early Learning Centers provided by Finance. He inquired when the funds for the months come up short, where does the difference in funding come from.

Renee Weatherless provided information and responded to the committee's questions. She added that when she presented the same information to the Governing Board during the September 11th Governing Board meeting, it was requested that she prepare a more detailed report for the November 13th Regular Board meeting.

Persons commenting/asking questions were Chuck Kill, Darin Guthrie and Bernie Wiegandt.

4. Budget Presentation

No action required.

- Jimmy Lovelace

Jimmy Lovelace provided a comparison budget report breaking it down by budget lines and by the three previous and current Superintendent.

Renee Weatherless provided information and responded to committee members' inquiries.

Persons commenting/asking questions were Darin Guthrie and Chuck Kill.

3. Presentation of Single Audit and USFR Report & Findings

No action required.

- Renee Weatherless
 - District Cashier – Sabra Castle
 - Asset Management – Christina Cruz
 - Technology Services – Mike Dunn
 - Technology Services – Blaine Young
 - Finance – Nancy Mueller
 - Operations – John Muir
 - Transportation – Martha Zamora

Renee Weatherless introduced each department member regarding their respective department's findings. She and her staff discussed and presented the Corrective Action Plan that they put together. There are nine Audit Findings. See attached Audit Findings and Corrective Action Plan for each one.

Number 1 – Cash and Revenues – USFR VI C and F 10 – Sabra Castile

Number 2 – Property Control – USFR VI-E 6 – Christina Cruz and Michael Dunn

Number 3 – Information Technologies (IT) – USFR IX 8 – Rabih Hamadeh

Number 4 – Information Technologies (IT) – USFR IX 13 – Blaine Young

Number 5-8 – Student Attendance Reporting USFR X-D 14, 26, 27 and 30 – Kathy Parris

Number 9 – Transportation Support – ADE's SF-0002 and Transportation Guidelines 2 – Martha Zamora

Persons commenting/asking questions were Chuck Kill, Jimmy Lovelace and Darin Guthrie.

5. FY19 Expenditure Update
 - Renee Weatherless

No action required.

Renee Weatherless informed the Audit Committee that the FY19 Expenditure Update that was scheduled for the September 25, 2018, Special Governing Board meeting was postponed but the Board agenda item was posted online. Additionally, she covered the Budget Study Session No. 2 which was also postponed. She covered FY19 Enrollment, Spending Plan Reduction Strategies and FY19 Budget Impact. She provided information and responded to committee's questions.

Persons commenting/asking questions were Darin Guthrie, Jimmy Lovelace and Chuck Kill. Rob Ross commented.

Jimmy Lovelace moved to postpone Item 6 and Item 7.

Jimmy Lovelace moved approval, Darin Guthrie seconded. Approved Unanimously, in a voice vote. 4-0.

6. Up-to-Date Budget to Actual by Function – System Version
 - Renee WeatherlessITEM POSTPONED

7. Cash Balance Reports – Fiscal Year 18 Fund Balance
 - Renee WeatherlessITEM POSTPONED

9. Standing Item: Complaints Received via Various Avenues
 - Rob Ross

No action required.

Rob Ross reported to the committee that one complaint was received regarding available software and the District's budget books closing until September for the previous school year.

Persons commenting/asking questions were Jimmy Lovelace, Chuck Kill and Darin Guthrie.

10. Standing Item: Request for Information (RFI) Request by Audit Committee
ITEM NOT ADDRESSED

Internal Control Issues

- a. USFR Compliance – Questionnaire Comments
- b. Accounting Records
- c. Cash Handling
- d. Capital Assets Control
- e. Expenditures
- f. Procurement
- g. Payroll
- h. Monthly Financial Reports
- i. Student Attendance Reporting
- j. Student Accounts
- k. Auditor General Internal Controls
- l. After-the-Fact Purchase Orders
- m. Annual Single Audit Reporting Package (Each Year)
- n. Update on ERP Process
- o. Consolidation of Advertising
- p. Internal Auditor Status

11. Meeting Date/Time No action required.

The next scheduled meeting is on Friday, October 26, 2018.

12. Future Agenda Item(s) No action required.
NOT ADDRESSED

Jimmy Lovelace moved to postpone Item 13 and Item 14. Jimmy Lovelace moved approval, Darin Guthrie seconded. Approved Unanimously, in a voice vote. 4-0.

13. Follow up Matter – Internal Auditor Time Clock Report No action required.
• Janet Rico Uhrig
ITEM POSTPONED

14. Standing Items Status for Internal Auditor No action required.
• Janet Rico-Uhrig
ITEM POSTPONED

ACTION ITEM

MOTION AND VOTE TO RECESS AUDIT COMMITTEE MEETING TO EXECUTIVE SESSION – 4:07 p.m.

Bernie Wiegandt moved approval, Darin Guthrie seconded. Approved Unanimously, in a voice vote. 4-0.

15. Schedule an executive meeting at this time to consider the following matters:

A. Personnel issues pursuant to A.R.S. §38-431.03 (A)(1); legal advice/instruction to attorney pursuant to A.R.S. §38-431.03 (A)(3) and (A)(4); and consideration of records exempt by law from public inspection (A)(2)

1) Internal Auditor Application Screening

RECESS AUDIT COMMITTEE MEETING

ACTION ITEM

UNANIMOUSLY CONSENTED TO ADJOURN EXECUTIVE MEETING AND RECONVENE COMMITTEE MEETING – 4:51 p.m.

Darin Guthrie moved to discuss job description for the position of Internal Auditor.

Darin Guthrie moved approval, Bernie Wiegandt seconded. Approved Unanimously, in a voice vote. 4-0.

ADJOURNMENT – 4:53 p.m.

Jimmy Lovelace moved approval, Darin Guthrie seconded. Approved Unanimously, in a voice vote. 4-0.

Approved this 25th day of January 2018.

TUSD GOVERNING BOARD AUDIT COMMITTEE

By _____
Jimmy Lovelace
Audit Committee Chair

Corrective Action Plan

| FY2017 USFR Compliance Questionnaire | <i>Action to correct the deficiency or the new procedure to help ensure the deficiency will not occur again in the future.</i> | <i>Name and title of the employee taking the corrective action or implementing the new procedure.</i> | <i>Name and title of a different district employee that verified the corrective action taken to eliminate the deficiency.</i> | <i>How documents/procedures were reviewed to determine that the correction was made and/or the new procedures are working as planned.</i> | <i>Date that the correction was verified as fully in place.</i> |
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| Deficiency | What action will be taken to correct the deficiency? | Who will take that action? | Who verified that the action taken has corrected the deficiency? | How was correction verified? | When was correction verified? |
| <p>CASH and REVENUES—USFR VI-C and F 10. Was cash received deposited intact daily, when significant, or at least weekly? <i>No</i></p> <p><i>- For two of 20 auxiliary operations and extracurricular activities cash receipts reviewed, deposits were not made timely.</i></p> | <p>Involve Regional Asst. Superintendents. District Courier to be utilized to ensure timely deposits. Office Stars Training in July informed all attendees that monies received are subject to timeliness of deposit guidelines. Memo to be drafted by Exec. Finance Director and sent to schools and departments to stress the importance of deposits being made in a timely manner.</p> | <p>Regional Asst. Superintendents, District Cashier, Exec. Finance Director, School Finance Manager, Principal</p> | <p>District Cashier, District Courier, Sr. Accounting Manager, Exec. Finance Director</p> | <p>District Cashier is matching daily Intouch deposits to bank deposits. Deposits confirmed in courier pick up reports. Exec. Finance Director will review memo w/ Superintendent's Leadership Team before sending out to departments and schools.</p> | <p>Office Stars Training, July 2018. To be verified Fall 2018.</p> |
| <p>PROPERTY CONTROL—USFR VI-E 6. For (5) equipment items selected from the stewardship and capital asset lists, and for (5) equipment items selected from the premises, did the location and identifying number affixed to the asset agree to the information recorded on the corresponding list? <i>No-For one of five items selected from the premises, the item could not be located on the stewardship listing.</i></p> | <p>We are in the process of implementing a bar coding system which will aid in the control of tracking and identifying district assets. This particular item appears to have been a projector and white board purchased as a combo and given the same tag number, that practice has been discontinued. Projectors and boards are now given separate numbers.</p> | <p>Finance Asset Management Technology Services</p> | <p>Sr. Accounting Manager</p> | <p>An audit of district assets will be conducted once implementation is complete.</p> | <p>Has not been verified.</p> |
| <p>INFORMATION TECHNOLOGY (IT)—USFR IX 8. To prevent unauthorized access to critical systems or data, did the District limit employee access to only those business functions or software necessary to perform their job function? <i>No-The District did not limit access to food service applications or software based on the needs of the individuals' job function in order to prevent unauthorized access.</i></p> | <p>All District access permissions, including Food Service, were reviewed and corrected at the Domain level in Active Directory, per user, per device and per application</p> | <p>Todd Allen - Computer Systems Manager</p> | <p>Rabih Hamadeh - Director of Information Technology Infrastructure</p> | <p>Users and devices access were reviewed in Active Directory. Levels of access by specific users on specific devices using specific applications were tested and verified</p> | <p>8/4/2018</p> |
| <p>INFORMATION TECHNOLOGY (IT)—USFR IX 13. Did the District have a formal disaster recovery or contingency plan, and was it tested, at least annually, to identify internal and external vulnerabilities and remedy any deficiencies? IRS Publication 1075 §9.3.6.1 <i>No-The District's disaster recovery plan was not periodically tested to identify and remedy deficiencies.</i></p> | <p>District Disaster Recovery Plan was finalized on August 15, 2018. The Disaster Recovery Plan included a Testing Calendar. There will be quarterly testing for School Year 18-19 on 9/20/18, 12/13/18, 3/14/19 and 6/13/19</p> | <p>Rabih Hamadeh - Director of Information Technology Infrastructure</p> | <p>Blaine Young - Chief Technology Officer</p> | <p>The first quarterly test will be conducted on 9/20/18. Proper corrective actions will be taken as needed.</p> | <p>9/20/2018; 12/13/18; 3/14/19; 6/13/19</p> |
| <p>STUDENT ATTENDANCE REPORTING—USFR X-D 14. Based upon review of (8) students' attendance records at elementary and junior high schools where attendance was based on quarter days, were students in attendance for more than three quarters of the day counted in attendance for a day and students in attendance for three-quarters of the day or less counted in attendance for each quarter of the day in attendance? A.R.S. §15-901(A)(5)(b)(i) <i>No-For two of eight attendance records reviewed, absences were not calculated correctly resulting in a net overstatement of absences of 0.25.</i></p> | <p>This was Secret and it was off by 30 seconds and when it was closed we opted to mark in favor of the district. We have explained the calculation to our period schools, but unless they have even minutes for each period, this may still occur. We will continue to mark in favor of the State.</p> | <p>Office staff will be instructed to use the Absence Calculator and Middle School Period Time Sheet to calculate minutes.</p> | <p>Nancy Mueller, Budget Manager & Attendance Accounting Staff</p> | <p>We will verify this when we begin pre-audits in the fall to make sure procedures are being followed.</p> | <p>This correction has not been verified at this time.</p> |

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| 6 | <p>STUDENT ATTENDANCE REPORTING—USFR X-D 26. Was the students' Intended Full Time Equivalency Enrollment Statement maintained? <i>No-For seven of seven student records reviewed, an Intended Full time Equivalency Enrollment Statement was not maintained.</i></p> | <p>Starting with the 2017-18 school year all students are required to read and sign one which is stored in their student folder.</p> | <p>John Gonzales</p> | <p>Attendance Accounting Staff</p> | <p>We will verify this when we begin pre-audits in the fall to make sure procedures are being followed.</p> | |
| 7 | <p>STUDENT ATTENDANCE REPORTING—USFR X-D 27. Based upon review of the student attendance records in questions 23 through 26, did the District follow its procedures, to re-determine the actual FTE for each student enrolled in an ADI Program, following a student's withdrawal or after the end of the school year? <i>No-The District did not have procedures to re-determine FTE either following withdrawal or after the end of the school year.</i></p> | <p>We are now using Schedule- Based FTE for AGAVE and this calculates the correct FTE.</p> | <p>TS / John Gonzales</p> | <p>Nancy Mueller, Budget Manager</p> | <p>Coorection was verified through reviewing ADM.</p> | <p>June 2018</p> |
| 8 | <p>STUDENT ATTENDANCE REPORTING—USFR X-D 30. Were entry dates entered into the District's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry? <i>No-For two of 13 entries reviewed, the form did not indicate when information was entered into the computerized attendance system.</i></p> | <p>After completing the data entry, the technician will double check all entries prior to filing. Technician will note directly on the registration form whether the student information in the SIS system is rolled over from within district or if the student is new to the district. All technicians will attend any future trainings offered by the district.</p> | <p>Principal THMS</p> | <p>Nancy Mueller, Budget Manager</p> | <p>This correction will be verified when we have our pre-audit in the fall.</p> | <p>This correction has not been verified at this time.</p> |
| 9 | <p>TRANSPORTATION SUPPORT—ADE's SF-0002. TRANSPORTATION GUIDELINES 2. Did the students reported as eligible students on the Transportation Route Report meet the definition in A.R.S. 15-901(A)(8)? (If test work discloses a net under/overstatement of eligible students, report the net amount of the under/overstatement in the "Comments".) <i>No-the District does not calculate eligible students in accordance with ADE's Transportation Guidelines SF-0002. Actual student counts were only completed on the 100th day, estimates were used for all other days.</i></p> | <p>Actual student counts are now completed for at least 25 scheduled school days in the first 100 days in session.</p> | <p>Routing Manager</p> | <p>Director of Transportation</p> | <p>Reviewed paper copy of driver student counts</p> | <p>During the process of collecting 25 days of student counts in 2018</p> |