

**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 29, 2017
2:00 p.m.**

MINUTES

Committee Members Present:

Rachel Wall, Chair
Jimmy Lovelace, Co-Chair
Charles Andrade
Darin Guthrie [arr. @ 2:09 p.m.]
Charles Kill

Committee Members Not Present:

Victoria Soto

Others Present:

Robert S. Ross, Jr., General Counsel
Scott Morrison, Chief Technology Officer, Technology Services
Demetrius Lee, Internal Auditor
Renee Weatherless, Executive Director, Financial Services
Cathy Thwing, Director Web Site Editor, Communications and Media Outreach
Mary Alice Wallace, Director of Staff Services to the Governing Board
Michele C. Gutierrez, Senior Staff Assistant I to the Governing Board

ITEM

ACTION

CALL TO ORDER – 2:02 p.m.

CALL TO THE AUDIENCE

Audit Committee Chair, Rachel Wall read the protocol for CTA.
Persons who spoke at Call to the Audience were: Luis Gonzales re:
External Audits; Lori Emrich re: Interscholastic paid gate entrance;
Betts Putnam-Hidalgo re: 301 monies and role of Audit Committee;
Gloria Copeland re: Desegregation and Audit Committee

No action required.

Audit Committee Chair, Rachel Wall asked if committee members
wanted to respond to Call to the Audience.

Jimmy Lovelace commented.

ACTION ITEMS

- 1, April 28, 2017 Minutes

No action taken

After discussion, the minutes were postponed to the September 29 meeting when the committee members present on April 28 could approve the minutes.

2. August 25, 2017 Minutes

Jimmy Lovelace moved approval, Chuck Kill seconded. Approved 3-0, in a voice vote. Charles Andrade and Darin Guthrie Abstained.

STUDY/ACTION ITEMS

3. Audit Committee Website Demonstrations
 - Scott Morrison

No action required.

Scott Morrison and Cathy Thwing explained the Website setup and answered questions.

Jimmy Lovelace commented and asked questions.

4. Risk Assessment Matrix and Audit Plan, Internal Audit Charter, Independence Statement and Audit Policies – Draft
 - Demetrius Lee

Demetrius Lee discussed the following items with the committee and asked for the committee to approve the items in order to submit to the Governing Board for approval.

Mr. Lee will meet with General Counsel to assign policy codes and titles. No action taken on both Audit Policies.

Each item was approved individually.

Internal Auditor Independent Statement

Jimmy Lovelace moved approval, Chuck Kill seconded. Approved unanimously in a voice vote. 5 – 0.

Internal Auditor Audit Plan

Jimmy Lovelace moved approval, Rachel Wall seconded. Approved unanimously in a voice vote. 5 – 0.

Internal Auditor Audit Plan Amended

Jimmy Lovelace moved to amend Audit plan under number 3, replace it with 301; Charles Andrade seconded. Rachel Wall accepted amendment.

Jimmy Lovelace moved approval, Andrade seconded. Approved unanimously in a voice vote. 5 – 0.

Internal Auditor Charter

Jimmy Lovelace moved approval, Darin Guthrie seconded. Approved unanimously in a voice vote. 5 – 0.

Internal Auditor Charter Amended

Charles Andrade recommended amending to modify the charter to review annually every July. Jimmy Lovelace moved approval of the amendment; Charles Andrade seconded.

Jimmy Lovelace moved approval, Charles Andrade seconded. Approved unanimously in a voice vote. 5 – 0.

Internal Auditor Risk Assessment Matrix

Jimmy Lovelace moved approval, Charles Andrade seconded. Approved unanimously in a voice vote. 5 – 0.

Persons commenting/asking questions were Jimmy Lovelace, Rachel Wall, Charles Andrade, Renee Weatherless, Darin Guthrie and Chuck Kill. Demetrius Lee commented. Rob Ross provided legal advice.

5. Internal Auditor Update Report

No action required.

- Demetrius Lee

Demetrius Lee provided an update to the Audit Committee members. He met with the school principals and office managers; who expressed a concern with miscommunication with central offices and hoped for a procedure to be put in place. Also, Mr. Lee attended a conference on 101 Cash Handling presented by Heinfeld, Meech & Co. in Flagstaff, Arizona. He also shared with the committee the request for information from Board President Michael Hicks on Infant Early Learning Centers.

Persons commenting/asking questions were Renee Weatherless, Jimmy Lovelace, Darin Guthrie, Rachel Wall, Charles Andrade and Chuck Kill. Rob Ross provided legal advice and commented.

6. Audit Committee Charter

No action required.

- Rob Ross

7. Anonymous On-line Complaint Procedure

- Rob Ross

Items 6 and 7 were addressed as one item.

Rob Ross addressed the RFP process for an External Auditing firm as stated under the Audit Committee's Charter.

Rob Ross and Cathy Thwing provided information and answered the committee's questions or concerns with the complaint procedure, both on-line and mail procedures.

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

8. External Audit Functions

No action required.

Jimmy Lovelace referenced the speaker at Call to the Audience at the beginning of the meeting, regarding the District's External Auditor and requested that the committee look into it further. He also referenced the Governing Board's action at the May 23, 2017 Board meeting (#21) requesting the Audit Committee to review its role regarding the external auditor function.

Charles Andrade shared from his experience that external auditors were rotated every few years.

Persons commenting/asking questions were Darin Guthrie, Chuck Kill, Rachel Wall and Demetrius Lee.

9. Budget Expenditure Update for 2018 No action required.
- Renee Weatherless

Renee Weatherless presented the Budget Expenditure Update for 2018 to the committee which was presented to the Governing Board members at the September 26, 2017 Special Board meeting. This was the first update given for School Year 2017-2018.

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

10. Annual Financial Report (AFR) No action required.

Rachel Wall explained her reason for the item on the agenda was in case there were any follow up questions on the AFR.

Jimmy Lovelace commented. Will be discussed at the October meeting.

11. Auditor General Performance Audit No action required.
- Renee Weatherless

Renee Weatherless read the following information sent to her from the Auditor General regarding the status of the Auditor General Performance Audit:

“The report is currently going through our report review process, which means it is being reviewed by various staff within the Office. After it goes through its initial reviews, we perform some quality control steps to ensure the accuracy of the information contained in the report. Once the quality control process is completed, the report will be reviewed by the Deputy Auditor General and the Auditor General.”
Once the review process has been completed, she is hoping to get the draft of the report in November. At that point, the District will review the draft and provide a response to it. If the draft report is received in November, the final report should be issued in December. It is a long process, done to ensure the quality and accuracy of our report.

Schedule for November or December meeting.

Persons commenting/asking questions were Rachel Wall, Jimmy Lovelace and Darin Guthrie.

12. Meeting Date/Time

No action required.

Next scheduled meeting is on Friday, October 20, 2017.

As a reminder, Rachel Wall stated with the holidays coming up, the Audit Committee meetings are as follows: October 20, 2017, November 17, 2107 and December 15, 2017.

13. Future Agenda Item(s)

No action required.

Items that would be on the next scheduled meeting based on discussion of each item throughout the meeting were the recurring items for each meeting.

New Items for the October meeting will be; Fraud and Audit Policies; Update on Infant Early Learning Centers; Audit Committee Charter; Call to the Audience (Sahuaro) – Possible Audit Ticket Sales; Annual Financial Report; Complaint procedure; Auditor General JTED Audit.

Persons commenting/asking questions were Demetrius Lee, Darin Guthrie, Rachel Wall and Jimmy Lovelace.

ADJOURNMENT – 3:49 p.m.

Jimmy Lovelace moved approval, Charles Andrade seconded. Approved unanimously in a voice vote. 5 – 0.

Approved this 17th day of November, 2017.

TUSD GOVERNING BOARD AUDIT COMMITTEE

By _____
Rachel Wall
Audit Committee Chair

TUSD Internal Auditor Independence Statement

Purpose

The purpose of this document is to verify the internal auditor's independence. Institute of Internal Auditors (IIA) Attribute Standard 1100 states "The internal audit activity must be independent, and internal auditors must be objective in performing their work".

Independence

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out responsibilities of the internal audit activity, the internal auditor has direct and unrestricted access to senior management and the board. This will be achieved by the internal auditor reporting functionally to the TUSD Governing Board and administratively to the TUSD Superintendent. Threats to independence must be managed at the auditor level and at the audit engagement level. A copy of this independence statement will be included in each set audit work-papers. If there are any threats to the auditor's independence, those should be listed in the "Impairments to Independence" attachment. The internal auditor must be independent in mind and in appearance.

Objectivity

Institute of Internal Auditors Attribute Standard 1120 states, "Internal Auditors must have an impartial, unbiased attitude, and avoid any conflict of interest". Practice Advisory 1120-1, Individual Objectivity states, "Individual objectivity means the internal auditors perform engagements in such a manner that they have an honest belief in their work product, and that no significant quality compromises are made. Internal auditors are not to be placed in situations that could impair their ability to make objective professional judgements".

Impairments to Independence

Institute of Internal Auditors Attribute Standard 1130 states "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties". In the case of TUSD, any impairments will be reported to the Superintendent, audit committee, and the Governing Board.

Approval of Independence Statement

I, Demetrius Lee, have no threats to my independence or objectivity for any potential audits within TUSD. Before starting each audit, I will document my independence in the audit work-papers. I will notify the Superintendent, the audit committee, and the Governing Board immediately if there are any threats to my independence.

_____ Date: _____
Demetrius Lee, Internal Auditor

I have reviewed the internal auditor’s independence statement and I agree that it appears to be no threats to his independence or objectivity.

_____ Date: _____
Rachel Wall, Audit Committee Chair

_____ Date: _____
Gabriel Trujillo, Ed.D., Superintendent

APPROVED this ____ day of _____, 2017, by the Governing Board of Tucson Unified School District 1:

Michael Hicks, Governing Board President

TUSD Internal Audit Plan

The internal auditor has held conversation with senior leadership (*Superintendent Leadership Team (SLT), Governing Board, and the audit committee*), and reviewed prior audit reports, and reviewed the superintendent strategic plan to identify areas where audit resources would be most effective. This collaborative effort was essential in developing this audit plan. A cohesive and coordinated approach allows audit resources to be appropriately deployed to provide reasonable assurance that significant risks are identified and controlled.

This audit plan does not conclude the planning process. The audit plan can be amended based upon the needs on the board, superintendent, the SLT, the audit committee, concerned taxpayers, or risks identified during the fiscal year. This flexibility helps to ensure that audit resources are used in the most effective and efficient way possible. As the priorities of senior leaders and the public change, the focus of the internal auditor must be able to change as well.

During the audit planning process, the internal auditor reviewed management's internal control process within finance, human resources, operations, technology and teaching; to identify risks or obstacles that could impede TUSD from achieving its goals as a district. The internal auditor, with assistance from senior leaders, researched the likelihood of financial waste, fraud, adverse public reactions, inefficiencies of operations, and safety hazards to identify where to place audit resources.

Audit resources will be focused on identifying conditions that need to be corrected and following up on the condition until members of the SLT informs the internal auditor that the condition has been eliminated.

The internal auditor is confident that this audit plan will help senior leaders assess their programs and determine whether there are areas in need of improvement.

1. Title 1A Funds (November- December)
2. USP (January- March)
3. Prop 301 (April-May)
4. Title II Improving Teacher Quality (June- August)

Tucson Unified School District
Audit Committee Charter Supplement
Internal Audit Charter

The internal audit activity was established by the Governing Board and the audit committee on February 14, 2017. The internal audit activity's role and responsibilities are defined in this audit charter. This charter and the audit plan will be approved July of each year by the Governing Board.

MISSION

The internal auditor for TUSD will provide independent and objective audit services for the district. The internal auditor will perform audits to access and/or help improve:

- The efficiency and effectiveness of operations.
- Compliance with state and federal regulations.
- IT system controls.
- Reliability of financial statements.
- Internal controls.
- Risk management.
- Safeguarding of assets.

ANNUAL AUDIT PLAN

Annually the internal auditor will create and submit an audit plan to the Governing Board and the audit committee for review and approval. The audit plan will be a living document. Therefore, the internal auditor will adjust the plan when necessary in response to direction from the Governing Board, Superintendent, audit committee, or operations. The purpose of the audit plan is to:

- Help the Superintendent determine whether his/her strategic plan is functioning as intended.
- Perform audits that are of high interest to the Governing board, audit committee, and the superintendent.
- Promote, build, and maintain the public's trust in TUSD.

INDEPENDENCE

Yearly, the internal auditor will document his/her independence on an Independence Statement signed by the audit committee stating that the auditor is independent. The internal auditor will have no operational responsibility, financial interest, or authority over any audited activity. Additionally, the auditor should be free from any relationships that may impair or be presumed to impair their unbiased assessment. Furthermore, the internal auditor will not prepare records, develop procedures, implement internal controls, install systems, or engage in any other activity that will impair the auditor's judgement.

ADHERING TO STANDARDS

The internal auditor will adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International

Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal auditor will adhere to TUSD relevant policies and procedures, Generally Accepted Government Auditing Standards (GAGAS), and Generally Accepted Accounting Principles.

ACCESS

The internal auditor will be granted unrestricted access to any and all of TUSD records. All TUSD employees and contractors are required to assist the internal auditor in performing his/her duties. Any refusal to provide the internal auditor documents to carry out his/her duties will be considered a denial of access and elevated first to the audit committee or Superintendent then to the Governing Board (if necessary) for resolution. While records are under the control of the internal auditor she/he will be accountable for assets, confidentiality, and safeguarding information.

INTERNAL AUDITOR REPORTING STRUCTURE

The internal auditor will report functionally to the Governing Board and administratively to the Superintendent. If there are disagreements between the internal auditor and the auditee the dispute will be elevated to Superintendent and/or Governing Board for resolution.

TRACKING AUDIT FINDINGS

To ensure that external audit reports with findings are receiving attention the internal auditor will be briefed by external auditors and the audited business segment. The internal auditor will be informed of negative findings, necessary corrective actions, and a timeframe for resolution. The internal auditor will track all outstanding material misstatements and recommendations identified by external auditors. Additionally, for all internal audits the auditor will identify a point of contact for any outstanding recommendations and receive updates until the recommendation is resolved.

QUALITY ASSURANCE

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether the internal auditor applies the Code of Ethics. Annually, the audit committee will review a set of the auditor's workpapers, note any negative findings, and discuss areas for improvement with the internal auditor. Additionally, once every three years the internal auditor should have a peer review (from an Arizona government internal audit activity) to adhere to GAGAS. The results of this peer review should be briefed to the Governing Board.

The internal auditor must complete 80 hours of Continuing Professional Education every 2 years with no less than 20 hours each year. The purpose of the CPE is to stay current with updates in the profession, improve auditing techniques, and maintain certifications. The CPE will be funded by TUSD.

This Internal Audit Charter was signed by:

Demetrius Lee, Internal Auditor

Date

Rachel Wall, Audit Committee Chair

Date

Gabriel Trujillo, Ed.D., Superintendent

Date

APPROVED this ____ day of _____, 2017, by the Governing Board of
Tucson Unified School District 1:

Michael Hicks, Governing Board President