

Governing Board Audit Committee

Annual Report to the Governing Board
June 28, 2016

Report on the scope and breadth of Committee activities so that the Governing Board is kept informed of its work

- **Audit Committee Charter** – Discussions began during the September 2015 meeting and continued through the January 2016 meeting. The Committee reviewed and identified revisions to the Charter to ensure transparency and to update the minimum qualifications to serve on the Committee. The Committee received final approval by the Governing Board during the February 9, 2016 meeting.
- **Internal Auditor Position** - The Committee is continuing to search for potential candidates to interview.
- **Financial Reports** - The Committee reviewed the Fiscal Year-to-Date Financial Reports as presented by Ms. Karla Soto to the Governing Board during the monthly meetings. No concerns were reported to the Committee.

Provide Minutes or a summary of Minutes of meetings which clearly record the actions and recommendations of the Committee

August 28, 2015

- **Internal Auditor Position Update** - Human Resources reported they have received and screened a number of applications that did not meet minimum qualifications.
- **ERP Process Update** - The Information Technology Management Team and Ms. Karla Soto presented information regarding the status of user testing and implementation of the ERP system. The Finance Department management reported they were satisfied with the performance of the payroll module. No issue or concerns were reported to the Committee.
- **Meeting Calendar Schedule** – The Committee updated its Monthly Meeting Calendar Schedule to include fiscal deliverables to be presented to the Committee for review and to recommend appropriate actions by the Committee.

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September 23, 2015

- **Committee Chair and Co-Chair were approved.**
- **Internal Auditor Position Update** - Dr. Sanchez lead a discussion regarding the importance of recruiting for the position should the Governing Board elect to pursue a Bond Election. Dr. Sanchez recommended increasing the starting salary. The Committee voted and approved to increase the starting salary for the Internal Auditor position. Dr. Sanchez encouraged Committee members to provide names of potential applicants to Human Resources.
- **The Committee approved the following changes to the Committee Charter:**
 - Appoint Governing Board member as non-voting Ex-Officio;
 - Increase voting Community Committee membership to seven to retain odd number voting community members.

October meeting

- **Cancelled due to scheduling conflicts.**

November 20, 2015

- **Audit Committee Charter** – Ms. Tolleson lead a discussion on best practices in the operation of the Audit Committee. Areas of discussion pertained to membership of the committee, non-voting/ex-officio membership specific to the Governing Board representative and the District’s Chief Financial Officer and non-eligible committee members whose spouse is an employee of the District and their employment is appointed by the Governing Board.
- **Internal Auditor Position Update** – Ms. Maiden provided the Committee a timeline on the status of the position since the search began May 2015. Dr. Sanchez recommended a recruiter be engaged to assist with screening and recruitment.
- **Finance Department** - Ms. Karla Soto discussed the Finance department is working with a feature in Visious called Cellsense to create the budget book and future reporting. It will not be made available on the TUSD website for public access.

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December 18, 2015

- **June 30, 2015 Comprehensive Annual Financial Report (CAFR) and Related Issues** – Mr. Arvizu and Mr. Good from Heinfeld, Meech & Co., P.C. presented, in detail, the Audited CAFR. No audit concerns, weakness or significant deficiencies were presented and discussed during the presentation. The Committee agreed to recommend acceptance of the audit reports during the January 26, 2016 Governing Board meeting.
- **Audit Findings** – Ms. Karla Soto presented a TUSD Audit Findings Schedule for fiscal years 2004-2014. The trend reporting will be utilized to monitor trends regarding potential audit findings. For FY2015, there were a total of seven (7) findings compared to fifteen (15) audit findings during FY2014, a 50% reduction from FY2014. No material weakness or significant deficiencies were reported by Heinfeld, Meech & Co., P.C.
- **Internal Auditor Position Update** – Ms. LaChance introduced Dr. Bill Dean from McPherson & Jacobson, Inc., an executive recruitment firm. Dr. Dean lead a discussion on the development of a brochure including an introduction provided by TUSD Human Resources to upload applications to send to 8-19 job recruitment sites by his firm.
- **Audit Committee Charter** - The committee members reviewed and proposed comments on the Charter prepared by Ms. Tolleson from the December Audit Committee meeting. The Committee agreed to the following revisions:
 - Committee Membership will comprise of no more than seven and no fewer than three voting community members.
 - The District's Chief Financial Officer and a designated member of the Governing Board will be approved annually and will be changed as non-voting ex-officio members of the Audit Committee.

January 22, 2016

- **Uniform Standard Finance Report (USFR) Audit Findings** – Ms. Karla Soto introduced her management staff responsible for preparing a Correction Action Plan (CAP) for the seven audit findings identified during the FY2015 external audit. The Committee was in agreement with the CAP as presented and will receive periodic updates from Ms. Karla Soto and her management team.
- **Audit Committee Charter** – The final draft was reviewed and approved to go to the Governing Board February 9, 2016 for approval and adoption. The Committee agreed to develop a Charter for the Internal Auditor position once the

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position is filled.

February 22, 2016

- **Internal Auditor Position Update** – Dr. Bill Dean from McPherson & Jacobson lead a discussion on the status of his firm in the recruitment process for the position. Five applicants were reviewed with Committee. The Committee selected two applicants for initial interviews conducted March 18, 2016.
- **Charter for the Internal Auditor Position** - The Committee reviewed a sample model for creating the charter.

March 18, 2016

- **Internal Auditor Position Update** - The Committee voted to go into executive session to conduct two phone interviews for the Internal Auditor position. Ms. Robertson from Human Resources facilitated the interview process and provided guidance to Committee members. The Committee agreed to conduct a second interview April 29, 2016 with a potential candidate whose resume represented she may qualify for hire.
- **Audit Committee Member** - Ms. Victoria Soto was introduced and welcomed as a new community member to serve on the Audit Committee.

April 22, 2016

- **Audit Committee Member** - Ms. Rachel Wall was introduced and welcomed as a new community member to serve on the Audit Committee. Ms. Soto and Ms. Wall's addition to the Committee brings a total of five voting community committee members serving on the Audit Committee. There are still two vacant community member seats to recruit and fill to complete the seven voting community members of the Audit Committee.
- **External Auditor's Engagement Schedule** – Ms. Karla Soto and Mr. Casey from Heinfeld, Meech & Co., P.C. presented the FY2016 audit calendar to begin in May.

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April 29, 2016

- **Internal Auditor Position Update** - The Committee conducted a second interview with a potential candidate. The Committee agreed the candidate did not possess current skills and work experience to properly serve as the Internal Auditor. The Committee agreed to have Ms. Maiden contact Dr. Bill Dean with McPherson & Jacobson to continue the search for candidates to interview and fill the position.

May 20, 2016

- **Internal Auditor Position Update** – Ms. Anna Maiden requested suggestions to the job description to improve re-advertising and recruitment efforts. Possible changes to the job description were as follows:
 - Being more specific and clearer on reporting and chain of command
 - Indication of support staff
 - Using “preferred” rather than “required” for CIA and CPA
 - Years of specific experience in lieu of certifications
 - Role of Audit Committee relative to Internal Auditor
- **FY2015 Audit Findings Corrective Action Plan (CAP) Update** – There were seven audit findings the Finance staff were required to develop a CAP. The Committee was pleased to learn all audit findings have been reviewed and monitoring activities were implemented and resulted in all findings to be resolved, completed and closed.
- **Presentation of the March 31, 2016 Quarterly Desegregation Budget** – Ms. Reene Weatherless presented summary highlights on the quarterly budget. No issues or concerns were reported to the Committee.
- **Final Revision of the FY2015-2016 TUSD Annual Expenditure Budget** – Ms. Reene Weatherless presented highlights to the final report. Ms. Karla Soto informed the Committee the report was submitted to the Arizona Department of Education. No issues or concerns were reported to the Committee.
- **Audit Committee Approval of Draft Annual Report to the Governing Board on June 28, 2016** – I reviewed the draft report with the Committee. I asked for feedback and input from the Committee. The Committee agreed with the draft report as presented.

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June 24, 2016

- **Election of Chair and Co-Chair for FY2017** – The Committee approved to appoint Mr. Ricky Hernandez to serve as Chair and Ms. Lori Cox to serve as Co-Chair on the Audit Committee effective July 1, 2016.
- **Internal Auditor Position Update** – Ms. Anna Maiden met with the Committee to review the revised job description and to confirm agreement by the Committee on the proposed changes to the job description as discussed during the May 20, 2016 meeting. The Committee had no other changes for Ms. Maiden.
- **Audit Committee Annual Report to the Governing Board on June 28, 2016** – The Committee had no further changes to the Annual Report.

Report on their review of the District’s annual audit report and accompanying management letter and their recommendations regarding significant findings

- During the December 18, 2015 Audit Committee meeting, Heinfeld, Meech & Co., P.C. presented key highlights on the CAFR Audit Report. The Committee accepted the draft audit reports as presented.
- Ms. Karla Soto and her management team presented the audit findings during the January 22, 2016 Audit Committee meeting. There were seven audit findings. The Finance management team presented their recommended Corrective Action Plan (CAP) to successfully resolve the audit findings. The Committee agreed to accept the CAP. Ms. Karla Soto’s team presented an update on the CAP during the May 20, 2016 Audit Committee meeting.

Report on suspected fraud, waste or abuse, or internal control findings and activities of the internal control function

- The Committee has not been made aware of suspected fraud, waste or abuse.
- Internal Control audit findings were presented during the FY2015 CAFR audit report by Heinfeld, Meech & Co., P.C. The auditors did not identify material weaknesses or significant deficiencies as a result of the seven audit findings.
- The Finance Management Team has a Corrective Action Plan (CAP) in place to monitor the closing of the auditing findings before the FY2016 audit report is completed. The Committee received an update on the CAP by Ms. Karla Soto’s team during the May 20, 2016 Audit Committee meeting.

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Report on indications of material or significant non-compliance with laws or District policies and regulations

- The Committee has not been made aware of material or significant non-compliance with laws or District policies and regulations.

Report on any other matters that the Committee believes should be disclosed to the Governing Board to assist it in governance

- During FY2017, the Committee will review all compliance reporting reviewed by Heinfeld, Meech & Co., P.C. that is part of the issuance of the FY2016 Annual Audited CAFR Report.