

Governing Board Audit Committee

Annual Report to the Governing Board
August 8, 2017

Report on the scope of Audit Committee (“Committee”) activities so that the Governing Board (“Board”) is kept informed of its work

- **Audit Committee Charter** – Amended and approved May 9, 2017.
- **Internal Controls** – The Committee reviewed effectiveness of TUSD accounting organizational structure, operations and personnel. Additionally, the Committee provided oversight and review of the adequacy of TUSD’s internal controls, and recommended changes to management and the Board as necessary. No concerns were reported to the Committee by TUSD management or staff.
- **Internal Auditor Position** – Internal auditor, Mr. Demetrius Lee, hired. Committee met with Mr. Lee during June 23, 2017 meeting and discussed charter for internal audit position and procedures related to risk and internal audits. Risk areas will be discussed at August 25, 2017 Committee meeting.
- **Financial Reports** - The Committee reviewed the Fiscal Year-to-Date Financial Reports as presented by Ms. Karla Soto to the Board during the monthly meetings. No concerns were reported to the Committee by TUSD management or staff.

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

August 26, 2016

- **Internal Auditor Position Update** - Human Resources reported the position is continuing to be advertised and recruiter is vetting possible candidates to be interviewed by the Committee. Position reposted June 21, 2016. As of August 25, 2016, there were 16 applicants, 9 screened out for not meeting the minimum requirements and 7 referred to the recruiter for further review.
- **Budget Status and Update on FY2016-2017 TUSD Expenditure Budget** – Ms. Karla Soto, CFO, presented the 2016-17 budget to the Committee. The same budget was presented to the Board during July 12, 2016 regular Board meeting. No concerns by the Committee.
- **Interim Fieldwork by External Auditors** – Fiscal year 2015-16 annual audit exceptions and TUSD responses were

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presented by TUSD accounting staff to the Committee. Corrective action discussed included providing additional training to staff, documentation in TUSD's Operating Guide and disciplinary action taken (e.g. warning letter).

- **Committee Calendar 2016-2017** – To include deliverables and due dates from external auditors.

September 22, 2016

- **Internal Control** – Presentation of the quote verification process by Director of Purchasing to the Committee, including purchasing procedures, required documentation and forms, and external audit findings.
- **Semi-Annual Report to Board** – Discussion with Committee related to commitment and responsibility, primarily in the process of interviewing potential applicants for the internal auditor position.
- **Committee Calendar 2016-2017** – Set for 2016-17 year and to include deliverables and due dates from external auditors.
- **Internal Auditor Position Update** – Human Resources and recruiter provided details on the status of the internal auditor position. Only 3 of 28, applicants met the minimum qualifications. The Committee conducted an interview with one of the applicants which resulted in recommendation of the applicant for the internal auditor position to the Board.

October 28, 2016

- **Committee Calendar 2016-2017** – Ms. Soto provided the Committee with deliverables/due dates from the external auditor.
- **Complaints** – TUSD General Counsel discussed process and procedures related to Board policy - Audit Committee Complaint Procedures.
- **Internal Auditor Position Update** – Recruiter provided information related to applicant's qualifications, references, and screening questions. The committee conducted an interview with an applicant.

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November 18, 2016

- **Compliance Audits –**
 - TUSD Average Daily Membership Audit covering FY2013-15 presented by Financial Services staff. Audit focused on whether TUSD accurately reported data to ADE to receive correct amount of state aid. No material compliance findings or systemic control issues noted.
 - Cycle 4 Title I Audit presented by Director of School Improvement. No material compliance findings or systemic control issues noted.
- **Budget Status and Update FY2016-2017 –** Presented by Director of Finance and CFO. Budget presented to the Board at the November 15, 2016 Board meeting.
- **Annual Financial Report FY2015-2016–** Presented by Director of Finance. Annual Financial Report was presented to the Board and approved at the October 6, 2016 Board meeting.
- **Internal Auditor Position Update –** Discussion related to recommended changes to the Board on the Internal Auditor position.

December 16, 2016

- **June 30, 2016 Comprehensive Annual Financial Report (CAFR) and Related Issues –** Mr. Corey Arvizu and Mr. Casey Good from Heinfeld, Meech & Co., P.C. presented, in detail, the draft audited CAFR. No material weakness or significant deficiencies were reported by Heinfeld, Meech & Co., P.C. The Committee agreed to recommend acceptance of the audit reports during the January 2017 Board meeting.
- **Compliance Audits –** Food Services Audit – Food Services staff presented audit conducted by ADE, findings and TUSD corrective action plans. Findings were addressed immediately and corrective action plans were implemented shortly after findings were communicated to the program managers.
- **Internal Auditor Position Update –** Discussion with recruiter related to interviews for the Internal Auditor position that will take place at the January 2017 Committee meeting. Discussion of potential changes to the Internal Auditor requirements.

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January 27, 2017

- **Internal Auditor Position Update** – Two applicants interviewed for Internal Audit position. Committee recommended to the Board to consider greater financial investment for an Internal Audit “Unit” or “Department”.
- **Reporting to Board** – Committee Chair presented update to the Board and emphasized that the Committee continues to focus on recruiting and hiring a highly-qualified individual to be the TUSD’s Internal Auditor.

February 20, 2017

- **Cancelled due to scheduling conflicts**

March 17, 2017

- **Cancelled due to unplanned Board meeting**

April 28, 2017

- **Audit Committee Member** - Mr. Jimmy Lovelace was introduced and welcomed as a new community member to serve on the Audit Committee. Mr. Lovelace’s addition to the Committee brings a total of four voting community committee members serving on the Audit Committee. There are still three vacant community member seats to recruit and fill to complete the seven voting community members of the Audit Committee.
- **USFR Compliance Questionnaire** – Ten findings identified. Area, deficiency, corrective action plan, individual(s) responsible, monitoring of corrective action plan and timeline presented to the Committee by Ms. Soto and TUSD accounting staff.
- **Single Audit Reporting Package** – Presented by Ms. Soto to the Committee.
 - **Report on Internal Control** - No material weaknesses or significant deficiencies in internal control identified by external auditors. No instances of noncompliance with certain provisions of laws, regulations, contracts, etc. or other matters.
 - **Report on Compliance with Major Federal Program** – No material weaknesses or significant deficiencies identified. One instance of noncompliance. Corrective action plan reviewed by Committee.

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- **Update on Internal Auditor Position** – Internal Auditor Position has been filled.

May 19, 2017

- **Election of Co-Chairs** – Rachel Wall, Chair and Jim Lovelace, Co-chair
- **Performance / Compliance Audits**
 - **E-Rate Audit** – Performance audit presented to the Committee. No findings reported by KPMG.
 - **Medicaid Audit** – Compliance audit scope and results presented to the Committee. Corrective action plan reviewed. No concerns presented to the Committee by management or staff.
- **Revision to Fiscal Year 2016-17 Budget** – Presented to the Committee by Ms. Soto and Director of Finance. No concerns noted.

June 23, 2017

- Mr. Darin Guthrie and Mr. Charles Kill were introduced and welcomed as new community members to serve on the Audit Committee, bringing a total of six voting community committee members serving on the Audit Committee. There is still one vacant community member seat to recruit and fill to complete the seven voting community members of the Audit Committee.
- **External Audit Calendar** – Presented by Mr. Corey Arvizu, Heinfeld, Meech & Co., to the Committee.
- **Examination of Expenditure on Desegregation FY2015-2016** - Presented by Mr. Corey Arvizu, Heinfeld, Meech & Co., to the Committee. No concerns noted.
- **ERP Implementation Update**
- **Budget Update FY2016-2017** – Presented by Director of Finance. No concerns noted.
- **Internal Audit Update** – Internal audit presented initial audit plan which included meeting with senior leadership, reviewing prior audit reports and reviewing TUSD strategic plan, to identify areas where internal audit resources would be most effective. List of audit topics and risk assessment will be presented to and reviewed by the Committee at the August 25, 2017 Committee meeting.
- **Semi-Annual Report to Governing Board**

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

- During the December 16, 2016 Audit Committee meeting, Heinfeld, Meech & Co., P.C. presented key highlights on the CAFR and Single Audit Report. The Committee accepted the draft audit report as presented.
- Ms. Karla Soto and her management team presented the audit findings during the April 28, 2017 Committee meeting. There were ten USFR compliance 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.

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.
- No material weaknesses or significant deficiencies identified during external audit.

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

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

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

- Discussion with Internal Auditor – The Committee will work closely with the internal auditor to determine areas of high risk in order to develop internal audit plan and schedule.