

# ROCHESTER BOARD OF EDUCATION

## Audit Committee Meeting

December 3, 2019

**Board Members in Attendance:** President White, Commissioner LeBron (Chair), Commissioners Davis, Hallmark, Powell, Sheppard, Commissioner-Elect Adams and Maloy.

**Board Members Excused:** None.

**Administration and Board Officers in Attendance:** Superintendent Terry Dade and Chief of Staff Lehner. Board Staff: Ms. Henry-Wheeler and Mr. Brown from Office of Auditor General, General Counsel Kristoff, and District Clerk Marisol O. Ramos-Lopez.

**Commissioner Powell convened a meeting of the whole Board at 5:40 PM. Two speakers were heard and the meeting was turned over to Commissioner LeBron and the Audit Committee at 5:40 PM.**

- I. **External Audit Financial Presentation:** Katheryn Barrett from Freed Maxick presented an overview of the audit work performed and the financial results for fiscal 2019. There were no issues with the audit except for the financial condition of the District. She communicated that a lack of management oversight contributed to budget overspending and that revenues were properly recognized and fairly stated. She presented the financial highlights documented in the Comprehensive Annual Financial Report (CAFR). She emphasized General fund financial operations deficit of \$42.4M with a total operating loss resulting from under budgeting and over expending in many areas. She noted revenues increased by 4.9% while expenditures increased by 8.3% or \$100M over the past 3 years and that the outlook for state aid is not positive. There were questions and discussion regarding benefits, purchase commitments, and magnitude of variances and their contribution to spending. She noted that acceptable variances are a management decision. **ACTION:** Commissioner LeBron requested the Auditor General to verify numbers presented for the 2019 budget agree to the CAFR.

Ms. Barrett continued her presentation discussing the required communications, a few accounting estimates, and two future accounting standards that will impact the District being GASB 84 and Leases. Ms. Barrett spoke about a control deficiency and non-compliance with Education Law Section 2576 regarding an over-expended budget. She indicated the reason was a lack of management oversight when the system control was modified to allow the District to move money in and out of contingency fund.

Commissioner Sheppard clarified it was not lack of oversight but more about not being properly managed. Commissioner-Elect Adams inquired if there is now control over the contingency fund.

Relative to Extracurricular Activities, Ms. Barrett noted improvements in controls based on their sample.

Commissioner LeBron inquired if the Board wanted a confidential meeting with the External Auditor and stated that the Board is entitled to have a private separate meeting with the external auditor without administration, but was not sure about the legal language for this. President White was in favor of the opportunity, but was not sure that it could be done at this time. Ms. Barrett was willing to come back for a meeting with the Board.

**II. Auditor General Update:** Auditor General Henry-Wheeler provided an update. She noted that the draft CAFR was given to Board members on Nov 25<sup>th</sup> and that responses to most questions have been provided except for questions received just prior to the meeting. Pages with changes have been identified and summarized since the draft was issued to the Board, and they will receive changed pages with a final bound version at the Dec. 19 Business meeting. She stated that the Board is required to approve the CAFR and file it with the state. Ms. Barrett noted that if the budget amendments are not approved that night; the CAFR opinion would need to be changed.

Auditor General Henry-Wheeler provided three anonymous Critical Feedback line reports to the Board and Administration. There were two concerns related to improper use of Para Professionals in the District. The third concern was related to the climate and culture at a specific school building. She spoke of the recent SEC investigation, and that the OAG will be working with General Counsel and dedicating time to this topic. Safety plan work was performed to establish District compliance and included a Public Hearing. Next, audit work will commence at the schools to ensure student safety. Lastly, the Auditor General spoke about increasing organization accountability and fiscal awareness throughout the organization to change behavior.

Commissioner Lebron spoke about the accountability surrounding PCards and that non-compliant users be shut off until people do what they are supposed to do. The Auditor General added that a considerable amount of work was performed and that the District is far beyond where we were a year ago. Cards are being turned off until compliant. Commissioner Lebron noted non-compliance as reported by Claims Audit.

Commissioner Powell reconfirmed that in order for the CAFR to align, the budget amendments need to be approved. Ms. Barrett clarified that the opinion letters previously released will need to be re-dated because they were provided under the presumption that the budget amendments would have been approved last month.

Commissioner Lebron noted that three audit reports: Henry Hudson School 28 EAA, Substitute Management and Vanguard Student Activity Funds will be advanced at the next Board meeting and people can submit questions regarding them.

Commissioner Powell made a motion to approve the Oct. 8 minutes and was seconded by Commissioner Sheppard. No content edits were required except reformat to a new standard.

**Commissioner Lebron closed the Audit committee meeting at 7 PM** and President White resumed the business meeting of the Board.