

**Orange County Public Schools
Audit Advisory Committee
Minutes of Meeting January 19, 2016**

Chairman Puckett called the meeting to order at 8:00 a.m. Committee members Debi Roth and Kay Redlich were present and Scott Funston participated by telephone. Also present were Linda Lindsey, Senior Director, Internal Audit, Dan Williams, Senior VP, Darden Restaurants and Sarah Graber, Senior Director, Finance as well as representatives of Cherry Bekaert.

Ms. Lindsey introduced Dan Williams of Darden Restaurants. He attended as a candidate for appointment to the committee to observe the committee at work.

Approval of Minutes

Minutes of the meeting of November 17, 2015 were approved as submitted.

Post-audit Presentation from Cherry Bekaert

Jim Burdick of Cherry Bekaert introduced himself and his associates, Ron Conrad and Brandi Atyeo. Mr. Conrad was introduced as the engagement partner for the coming year's audit as Mr. Burdick will be retiring.

Using materials mailed out with the agenda packets and handout copies at the meeting (copy attached) Mr. Burdick reviewed the audit requirements, scope, standards and financial audit results for the recently completed audit of the district's financial statements as of and for the year ended June 30, 2015. He noted that a management letter was issued with one recommendation regarding cash receipts delays and that a verbal comment was made to staff regarding password security. Ms. Lindsey informed the committee that the cash receipts delays were something she also has noted in the internal audits performed by her department. She also requested more details of the password security comment so that her IT auditor could look further into the matter. Mr. Burdick provided a brief statement of the password comment.

Discussion continued regarding the single audit of federal funds, adoption of new accounting principles, use of judgments by management, audit adjustments, and future accounting and reporting changes including the new uniform grant requirements that will replace OMB A-133.

Entity-wide Risk Assessment Process and Timeline

Ms. Lindsey reviewed the proposed timeline for this year's risk assessment process noting that we hope to complete it in mid-March to avoid the heavy testing period and

give more time for analysis of responses and preparation of the proposed audit plan for the next fiscal year.

The basic process will be quite similar to last year's with adjustments to allow for an audit-universe approach, if desired, and to delete reference to a SWOT analysis since most departments are not conducting SWOT analyses this year. We also plan to be more involved in training the departments in the use of the risk assessment toolkit and may do some facilitation of the process at the department level.

Discussion ensued and the committee approved the timeline and overall process for this year's entity-wide risk assessment.

Discuss 1-year Extension of Contract for Construction Project Close-out Audits

Ms. Lindsey reported that CRI is in the 3rd year of its contract with the district. There are 2, 1-year extension periods available on the contract, should we wish to exercise them. Staff (Facilities, Procurement and Internal Audit) recommend the contract be extended for the first one-year period. CRI's fees have been fixed throughout the three years already performed and will remain at the same level in the extension year. The committee voted to approve exercising the extension of the CRI contract for the first one-year period.

Results of Internal Audit Department Internal Quality Assessment

Ms. Lindsey discussed the recently-completed internal assessment of the district's internal audit department. The committee reviewed and discussed the draft report for this assessment and made recommendations which Ms. Lindsey agreed to address in the final report. Ms. Lindsey especially thanked Debi Roth who was instrumental in preparing the Quality Assessment Manual published by the Institute of Internal Auditors and used by the department in conducting the internal assessment. She and her team found it to be an excellent resource. The process of conducting the internal assessment will be of value in preparations for the department's external peer review later this year. The committee approved the report on the internal quality assessment with revisions as noted by Ms. Roth.

Recommend New Committee Member

Earlier in the meeting Ms. Lindsey introduced Dan Williams of Darden Restaurants as a candidate for appointment to the committee. Mr. Williams's bio was sent to the members and he provided additional information about his background and experience.

The committee voted unanimously to recommend appointment of Dan Williams.

CAE Report

Audit Status Report:

Strategic assessments are not full audits performed in conformity with the *Standards*. They are short, focused analyses of areas of potential risk with limited scope and reporting. They have been well-received by management and will continue as value-added services to OCPS.

Follow-up Status Report:

The number of follow-up items that are more than one-year old has decreased. She reported certain findings that have closed since the report was prepared. The committee asked Ms. Lindsey to meet with department heads with unresolved findings over 2 years old.

Annual Audit Plan:

The annual audit plan was revised to drop the Payroll – Final Leave Payouts audit. Ms. Lindsey reported that, when conducting preliminary planning, the department learned that the risk factors noted to be present when the audit was selected are very well managed and that residual risk is at a sufficiently low level as to not warrant an audit at this time. The committee concurred.

Retiring Staff Member:

The most senior member of the internal audit team, Pringle Simmons, will be retiring this year. We are taking this as an opportunity to review the internal auditor job description and incorporate some of the core competencies recommended by the IIA before posting his position.

Knighton Award:

We will be participating once more in the Knighton Awards program by submitting one of our 2015 audits. Ms. Lindsey is also a judge for the program, although not in the category in which our department competes (by size of audit staff). Submittals are due January 25 and judging concludes in March.

Department Retreat:

The Internal Audit Department is planning a half-day retreat. Ms. Redlich is assisting with allowing the department to use a space known as the Da Vinci Center in the offices of her employer, CNL Financial Group. The agenda is being developed to including brainstorming about risk assessments, audits, strategic assessment, etc. as well as team-building, lessons learned from our recent internal quality assessment and more.

The meeting adjourned at 9:50 a.m.

The next meeting will be March 29, 2016 at 8:00 a.m.