

**Orange County Public Schools
Audit Advisory Committee
Minutes of Meeting April 14, 2016**

Chairman Puckett called the meeting to order at 8:02 a.m. Committee members Debi Roth, Kay Redlich and Dan Williams were present and Scott Funston participated by telephone. Also present were Linda Lindsey, Senior Director, Internal Audit, and School Board Chairman Bill Sublette.

Approval of Minutes

Minutes of the meeting of January 19, 2016 were approved with a minor correction on the second page.

Progress Update on Entity-wide Risk Assessment Process

Ms. Lindsey referred to the Risk Assessment Progress Report sent with the agenda materials and added comments that all risk registers have been received and are being analyzed in her department. She will be meeting with the Superintendent next Tuesday and with the Superintendent's Cabinet at a date yet to be determined to review the summary results.

The committee discussed the ERM process, the improved responses compared to last year and reasons for that. Ms. Lindsey noted that the improved responses are likely due to a combination of factors, namely:

- One-on-one meetings with each cabinet official after last year's process ended as well as at the launch of this year's process
- Strong support from the Superintendent and School Board
- Familiarity with the ERM Toolkit (now in its 2nd year of use)

A discussion of IT risks ensued. The committee inquired about progress by the IT department in addressing the old, prior IT audit findings as well as the more recent ones included in the IT Controls Review Audit. Ms. Lindsey reported that she has had discussions with Jim Pulliam, the CIO, who has indicated to her that these are being addressed, but she does not have a detailed status update at this time. The IT Auditor, Francis Amanquah, is scheduled to conduct a follow-up inquiry later this spring.

Ms. Redlich suggested that we consider performing penetration testing on a regular basis, at least annually. Ms. Lindsey briefly reviewed the district's history in performing penetration testing, noting that it was done in 2010 and 2013 and she has discussed it with the new CIO who is very supportive of renewing it. Many of the recommendations

from the two prior tests were not yet implemented at the time of our IT Prior Audit Findings engagement so it was decided at that time to focus on addressing those items before conducting additional tests.

Mr. Williams suggested that the district consider having a comprehensive cybersecurity assessment performed. He noted that his organization just had one and it was very informative.

After further discussion, Mr. Sublette recommended and the committee members agreed that Mr. Pulliam be invited to the next committee meeting to discuss these matters and IT security in general. Ms. Lindsey indicated that she will extend the invitation to Mr. Pulliam on behalf of the committee.

The committee expressed overall satisfaction with the progress of the entity-wide risk assessment. Ms. Lindsey will bring the complete report and the proposed audit plan for next year to the committee at its June meeting.

Discuss Timeline for School Internal Accounts Audit RFP Process

CRI is in the final year of its contract to perform school internal accounts audits. As is the district's practice, a competitive selection process will be conducted to select an audit firm for the next contract term. The Audit Committee sits as the proposal evaluation and ranking committee, making a recommendation to the School Board about which firm to select. Staff will bring the proposed scope of services, RFP qualifications and experience, evaluation criteria and overall proposal timeline to the June meeting. The committee will meet to evaluate and rank the proposals in late October at a meeting facilitated by the Procurement Department. A more precise date should be communicated at the June meeting.

CAE Report

Audit Status Report:

Since the committee meeting had to be rescheduled due to lack of a quorum, the status report sent with the agenda materials has changed. Ms. Lindsey reported the following updates:

- The interim school audit closing meetings are concluded and we are awaiting management responses
- The Cradle-to-Grave construction project audit is complete and pending the exit meeting with management
- The Office of School Choice – Charter Schools audit is complete and in review
- The Risk Management – Enrollment/re-enrollment/eligibility process audit is underway with the opening meeting just concluded this week
- The IT Project Management Audit is in peer review

At this point in the meeting (9:08) Mr. Sublette excused himself and left the meeting for another commitment.

Follow-up Status Report:

The number of follow-up items that are more than one-year old continues to decrease. However it should be noted that this data is in a constant state of flux, with new recommendations being added with each new audit and prior recommendations aging as time progresses. The IT Controls Review Audit, for example, had 31 recommendations. This report was issued in October, 2015 and those recommendations are about to get to the 6 month age.

A general discussion of what the committee would like to see and various ways to track the status of audit recommendations, including how to classify them, ensued. Ms. Lindsey noted that tracking and reporting should be much improved with the implementation of MK Insight and she will take the committee comments and suggestions into the new system. It was agreed that the present tracking would remain in place until the new system is implemented in the coming fiscal year.

Retiring Staff Member:

Pringle Simmons' last day will be at the end of May. The Internal Auditor job description has been updated with many of the IIA's recommended core competencies included. We expect to post the position in the next couple of weeks, but anticipate a protracted hiring process due to a tight labor market and challenging salary range.

Department Retreat:

The Internal Audit Department held a departmental retreat at the Da Vinci Center in the offices of CNL Financial Group thanks to the assistance of Ms. Redlich. The retreat was productive and Ms. Lindsey wished to again thank Ms. Redlich for helping to make it happen. We addressed a number of issues that are hard to get to in the daily office schedule.

District News:

Sarah Graber, Senior Director of Finance, has left the district. Catherine Nguyen has been promoted from Director of Finance into the Senior Director position. Rick Collins, our Chief Financial Officer, is retiring at the end of April. Dale Kelly, Senior Director of OMB, has been promoted to fill Rick's position. The Director of OMB has been promoted to backfill Dale's position. Current vacancies in the Director of Finance and Director of OMB positions are being advertised and interviews conducted.

Implementation of MK Insight:

We conducted a kickoff meeting via teleconference and an orientation workshop via web meeting. The software is being configured for our use and is expected to ship to us

via FTP for installation in next 2 weeks. We are scheduled for 3 days of training and implementation May 16-18.

CAE Performance Evaluation

There was a general discussion of Ms. Lindsey's performance results compared to her goals for this fiscal year. The committee wanted more information about the goal to increase department visibility within the district and Ms. Lindsey provided examples.

The committee also suggested that the introduction to the performance appraisal be revised to clarify that the Audit Committee performs its evaluation, pursuant to its charter, in support of the General Counsel's evaluation. Ms. Lindsey indicated that she would make this change on the form.

Ms. Lindsey was excused from the meeting at 9:33 a.m. so the committee could discuss the performance evaluation further.

Mr. Puckett later met with Ms. Lindsey to review the completed evaluation form.

The next meeting will be June 21, 2016 at 8:00 a.m.