

**MEETING MINUTES
OF THE
BOARD AUDIT COMMITTEE
FORT WORTH INDEPENDENT SCHOOL DISTRICT**

The Board Audit Committee (BAC) of the Fort Worth Independent School District convened on July 21, 2009, with a quorum present. A copy of the notice of the meeting was posted in compliance with the Open Meetings Law.

1. CALL TO ORDER

Mr. Hatch called the meeting to order at 8:00 a.m. in the Board Library of the Administration Building.

Committee Members Present

Chris Hatch, BAC Chairperson
Christene Moss, BAC Member
Jean McClung, BAC Member

Committee Members Not Present

Juan Rangel, Alternate BAC Member

No Audit Advisory Committee Members were Present

District Personnel Present

Sherman Harris, Chief Internal Auditor

Greg Miller, Sr. Internal Auditor CIP

Jannis Morgan, Sr. Internal Auditor

Joe Myers, Internal Auditor

Debbie Egly, Internal Auditor

Kathy Perkins, Internal Auditor

Holly Kephart, Audit Administrative Associate

Cheryl Kennon, Interim Chief Financial Officer

Elsie Schiro, Controller

Ben Cruz, Financial Services Coordinator CIP

Weaver and Tidwell, L.L.P.

Kerry Caves, Partner

Jackie Gonzalez, Sr. Auditor

Mr. Hatch opened the meeting with a request for approval of the June 16, 2009 meeting minutes.

Mr. Hatch made a motion to approve the minutes and Ms. McClung seconded the motion. The motion carried. Chris Hatch signed the minutes and returned them to Sherman Harris to be filed. The agenda was followed as posted.

2. DISCUSSION ITEMS

A. Review with the External Auditors (Weaver and Tidwell, L.L.P.) plans for the School Year 2008-2009 Financial Statement and Single Audits

Kerry Caves addressed the issue of the language in the engagement letter that had been questioned by the District. He said the paragraph was standard alternative dispute resolution verbiage that they use in 99% of their standardized engagement letters. Mr. Caves stated that FWISD is exempt from this clause and they would modify the language and send a revised letter.

Mr. Harris inquired about ownership of the work papers. Mr. Caves verified that the work papers are the property of Weaver and Tidwell, L.L.P. but the District will have access to them when needed. Mr. Caves also stated that if requested by certain granting agencies they will have an obligation to provide certain information to them but will notify the District if this should occur.

Mr. Hatch commented that this is the first year the Audit Committee was asked to sign off on the engagement letter and asked if this would be the process going forward. Mr. Caves said that Ron Wilson, former CFO had signed off on the document in the past and in some other Districts the Superintendent or other designated officers responsible for governance will typically sign off on

the engagement letter. Mr. Harris suggested it be looked at from a contractual standpoint and seek legal counsel. Ms. Kennon assured Mr. Caves that the District's attorney is currently looking over the documents and they will notify him after the letter has been reviewed in its entirety.

Mr. Hatch asked that the external auditors have a high level of skepticism for fraud when performing their audit. Mr. Caves assured him that was already built into the audit plan. They will be looking at many expenditures and the approval process from a materiality threshold. They will also be looking at some items below the threshold. The possibility of auditing the bond program was discussed because of the high dollars. The committee reached a consensus that an audit might be warranted later in the project. Ms. Kennon stated that if a bond audit was needed it was not necessary that it coincide with the year-end audit. Ms. McClung expressed that her concerns were more with the new ERP system. Mr. Caves reassured the committee that they will be documenting and testing the controls associated with the bond program as well as looking at indirect costs and how they are allocated to the individual projects.

Mr. Hatch asked if the items from the prior management letter had been cleared. Mr. Caves answered that he will report back to the Audit Committee during the exit review to inform them of items carried forward from the prior audit. Mr. Hatch asked Ms. Kennon to do a review of last year's management letter and formally address the committee on the comments and findings.

Mr. Harris questioned the audit fee. Ms. Kennon compared last year's fee of \$157,000.00 to the current fee of \$160,000. The committee agreed the 2% increase was reasonable.

Mr. Caves was interested in the circumstances surrounding Mr. Wilson's recent resignation because of the potential impact it could have on the scope of the future audit. Mr. Hatch said his understanding was that Mr. Wilson resigned to move back to Houston to be with family. Mr. Caves confirmed he had been given the same explanation as well. Mr. Hatch suggested that Mr. Caves talk with the Superintendent if he had other concerns.

B. Recently Issued Audit Reports

Sherman Harris presented executive summaries for the three reports that had been recently issued.

1. Review of the Online Auctions for June 2009

The review identified three areas where internal controls and procedures could be strengthened to improve the conduct of auction sales. They include monitoring the online auction item descriptions and presentations, preparing and presenting of offered items and equipment to achieve the best financial return for the District, and ensuring that hard drives containing potentially sensitive information are secured and are not sold. Suggestions for improvement were made. Although, the report issued was informational in nature and did not require a formal response, Internal Audit asked to be kept apprised of the actions taken to implement the suggestions.

2. Audit of Interactive Whiteboard Procurement and Installation

Timeliness of vendor payments and defining and documenting the warranty process were identified as two areas needing improvement. Recommendations were made and management agrees with the recommendations. Mr. Hatch asked when the warranty typically begins. Mr. Harris answered, the warranty generally begins when the boards are installed in the classrooms and the principal acknowledges receipt of them with a signature.

3. Overpayments to Retiree Math Coaches in Fiscal Year 2008

Analysis of the pay documents for 25 retirees disclosed that many payments to the retiree math coaches were not accurate, numerous payments were made without adequate documentation, and payroll procedures were not consistently followed. Due to these inconsistencies retirees were overpaid approximately \$59,700.00 (\$59,200 associated with retirees paid at a daily rate and \$550.00 associated with miscalculations paid at an hourly rate). Recommendations were made to three department managers and a response was received from each. Internal Audit concurs with the responses from the Chief Academic Officer. There will be additional monitoring of the responses made by the Assistant Superintendent of Human Resources and the Interim Chief Financial Officer.

Mr. Hatch asked if there were any particular things to consider. Ms. Kennon said she would like to see everyone (including exempt personnel) clock in on Kronos to document their attendance. Mr. Hatch and Ms. Moss commented they have worked in industries where they were required to clock in to document their attendance and agreed with Ms. Kennon's suggestion. Mr. Hatch suggested that we might start by having new exempt employees clock in. Ms. Schiro didn't think we could legally have some exempt employees clock in and others not clock in. Mr. Hatch disagreed and asked her to check into the legalities concerning it.

C. Agenda Items, Date, and Time for Next Meeting

The next BAC meeting originally scheduled for Tuesday, August 18, 2009 at 8:00 am conflicts with the Districts Convocation. The meeting was rescheduled for Tuesday, August 25, 2009 at 8:00 am. This meeting will be a CIP meeting. Suggested agenda items include:

CIP Construction Update

CIP Technology Information Update

Other CIP Updates (Buses, Band Instruments, and Uniforms)

3. COMMENTS

- Mr. Hatch welcomed any additional Board Members who would like to serve as Board Audit Committee Members.
- Mr. Hatch suggested appointing a vice-chairman to fill in for him if he is unable to attend.
- Mr. Hatch mentioned replacing the alternate BAC member who has not been attending.
- Mr. Hatch questioned if it was necessary to discuss the formation of a finance committee at the next meeting. The other members suggested making it an agenda item for a Board Meeting after a new CFO has been hired.

4. ADJOURN

Mr. Hatch adjourned the meeting at 8:53 am.

Minutes recorded by Holly Kephart and Jannis Morgan.

Attest:



Chris Hatch, Chairperson
Board Audit Committee

8/25/09

Date