

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

Internal Audit Committee Meeting Minutes

November 7, 2012, 4:00 p.m.

Edward L. Kelly Leadership Center

14715 Bristow Road

Manassas, Virginia 20112

Room 1132

Committee Members Present:

Milton Johns, Chairman, School Board Representative

Gilbert Trenum, School Board Representative

Dave Cline, Associate Superintendent for Finance & Support Services

Staff Present:

Vivian McGettigan, Chief Internal Auditor

James Fagan, Division Counsel

John Wallingford, Director of Financial Services

Deborah Urban, School Board Clerk

I. Call to Order

The meeting was called to order at 4:05 p.m. The record reflects that a quorum was present beginning at 5:00 p.m. Mr. Trenum stepped in as Chairman for Mr. Johns, who arrived at 5:00 p.m. at which time; he relinquished the chair to Mr. Johns.

II. Approval of Minutes

Minutes were approved unanimously for the September 19, 2012 meeting.
(Motion – Mr. Cline, Second – Mr. Trenum)

Recorded Vote: Yes, Unanimous

III. No Closed Session

Mrs. McGettigan mentioned that the closed session item was a placeholder and that she had no items requiring a closed session. The committee members had no items requiring discussion in closed session.

IV. The 2013 Audit Plan

The 2013 Audit Plan was approved unanimously. The committee members discussed the draft presentation for the School Board and agreed with the content and length.

(Motion - Mr. Cline, Second – Mr. Trenum)

V. Planning for 2013 Annual Meeting Calendar

Mrs. McGettigan discussed the one-page annual planning calendar which was developed to assist in organizing the major items addressed by the committee into the specific quarterly meetings. She mentioned that the only change to the annual planning calendar from the previous year was to move the School Activity Fund Audit Report, which is presented by Mr. Wallingford, from the November to the February meeting to allow for sufficient time for Mr. Wallingford's staff to accumulate the principals' responses to the external auditor's findings.

VI. Discussion of Process for Communication of Audit Reports

Mrs. McGettigan discussed the reporting process items from the summary document included in the committee packet with the committee to continue to define the committee's expectations for communication of issues. The consensus of the committee was that Mrs. McGettigan should follow up on open issues that have been referred to management to provide independent assurance to the committee that specific issues are being addressed, especially for high risk issues. She should continue to use professional judgment to determine the timing for reporting issues to committee members

and contact the committee chair to discuss any time-sensitive, high exposure issues. She should use confidential personnel memorandums to communicate details to the committee when appropriate. For example, this procedure would be used for non-routine potential audit findings related to non-compliance with an external regulatory requirement or a statutory requirement which typically involves the performance of specific individuals. Mr. Cline recommended that future audit reports not show redacted sections blacked out but rather, for transparency purposes, the auditor should reference the title of the finding in the audit report and note the details are redacted, as the issue is a personnel issue related to the performance of specific individuals.

VII. Two Year Review of Procurement Card Audits

Mrs. McGettigan discussed the detailed memorandum including the comprehensive two-year process, which included the compliance review of over 600 procurement card statements. The review results were used to determine the common findings and to develop recommendations based on the audit results and review of procurement card best practices. She mentioned that a review report is very different from an audit report. An audit report provides recommendations based on traditional non-compliance findings. The review report provides a comprehensive list of prioritized recommendations for management's consideration with the recognition that the benefit of the recommendations must be balanced against the costs. Management always has the difficult responsibility of weighing the costs of implementing a specific internal control step against the risk of not implementing the control measure while considering the efficiencies.

Mrs. McGettigan stated that she presented the findings to the Internal Control Advisory Council (ICAC) Procurement Card Subcommittee and then removed herself from the policy and management issues to preserve the auditor's independence. She mentioned that Mr. Wallingford will now be discussing the ICAC process and changes to the procurement card program, as this was a collaborative project.

VIII. Collaborative Approach – Internal Audit Sharing Findings and the Link to the Internal Control Advisory Council

Mr. Wallingford mentioned that the process worked well and that management agrees with substantially all of the suggestions made by the auditor in the report. He stated that he formed an ICAC subcommittee whose purpose was to review the regulation related to the procurement card program, develop forms necessary to support the use of the procurement cards, and propose process changes related to the use of the cards. The ultimate goal of the ICAC effort was to strengthen internal controls related to the use of the cards and to, where possible, increase efficiencies. The subcommittee's work has been presented to senior staff which includes regulation changes and new forms. Senior staff have provided feedback and the final regulation changes are anticipated to be approved within the next month.

Mrs. McGettigan mentioned that this project is an outstanding example demonstrating PWCS' collaborative environment which the School Board and Internal Audit Committee defined for the establishment of the internal audit function which emphasizes learning from the actual audit results and developing continuous improvement steps to strengthen the internal control environment. This was the first collaborative ICAC project.

IX. Internal Audit Status Report

Mrs. McGettigan mentioned this meeting's status report, which covers the shortest period between audit committee meetings during the year (September 1, 2012 to September 31, 2012) was primarily focused on preparation of the formal 2013 Audit Plan, preparation of internal audit annual update presentations to the School Board and management, and continuation of unannounced school and food service audits. She reminded the committee that the status report was developed at the request of the committee members to provide them with an update on the audit program

and she encouraged their suggestions for information that would benefit them in their review.

X. Presentation of Audit Report:

Mrs. McGettigan mentioned that one audit report was included in the electronic file sent to the Committee. The findings, recommendations, and management responses were discussed. The following report was included in the Committee packet:

1. School Audits:

- a. Brentsville District High School

Upcoming Meeting

February 20, 2013, 4 p.m.

There being no further business, the meeting was adjourned at 5:40 p.m.