



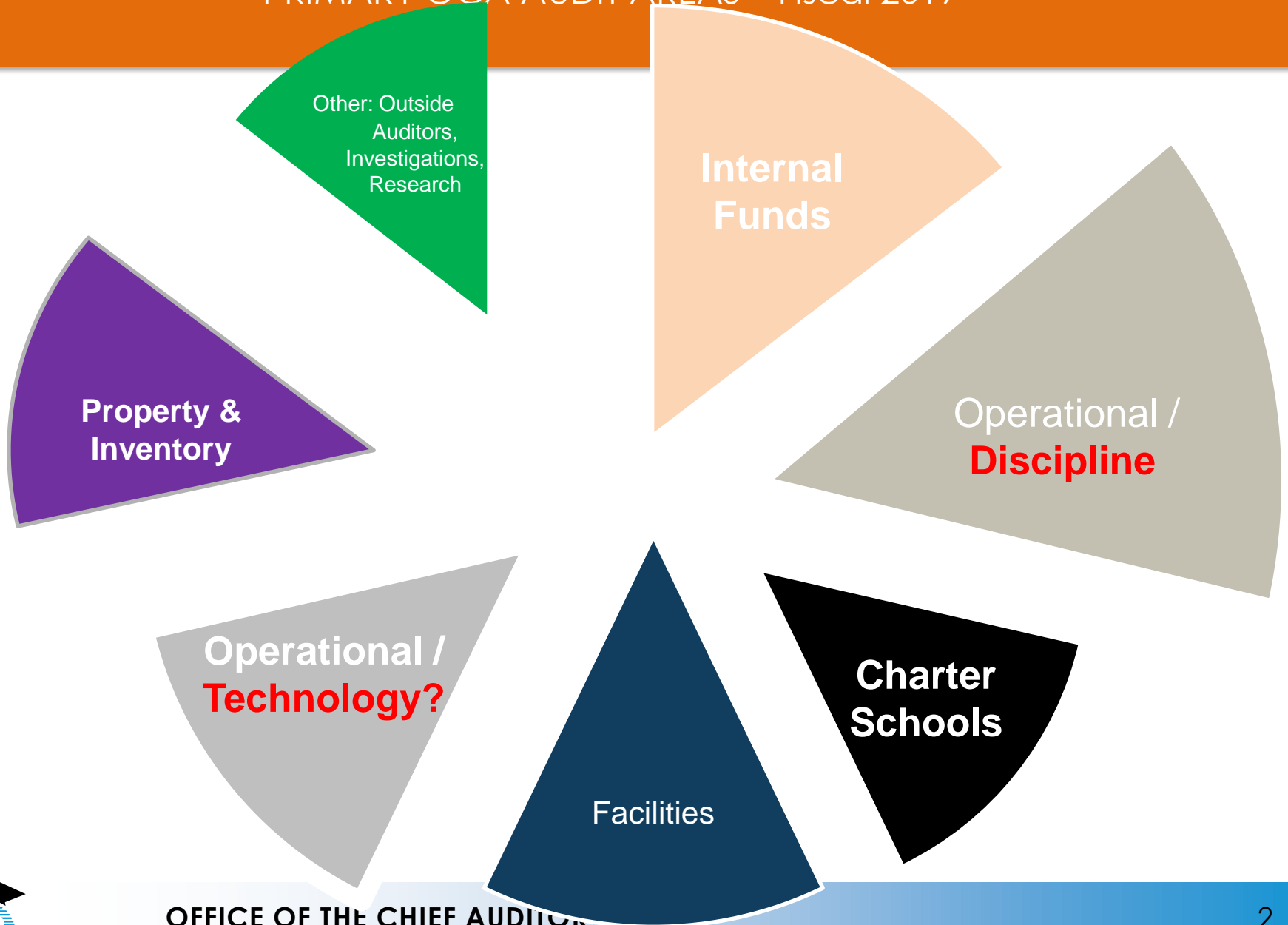
OFFICE OF THE CHIEF AUDITOR

## AUDIT FUNCTION

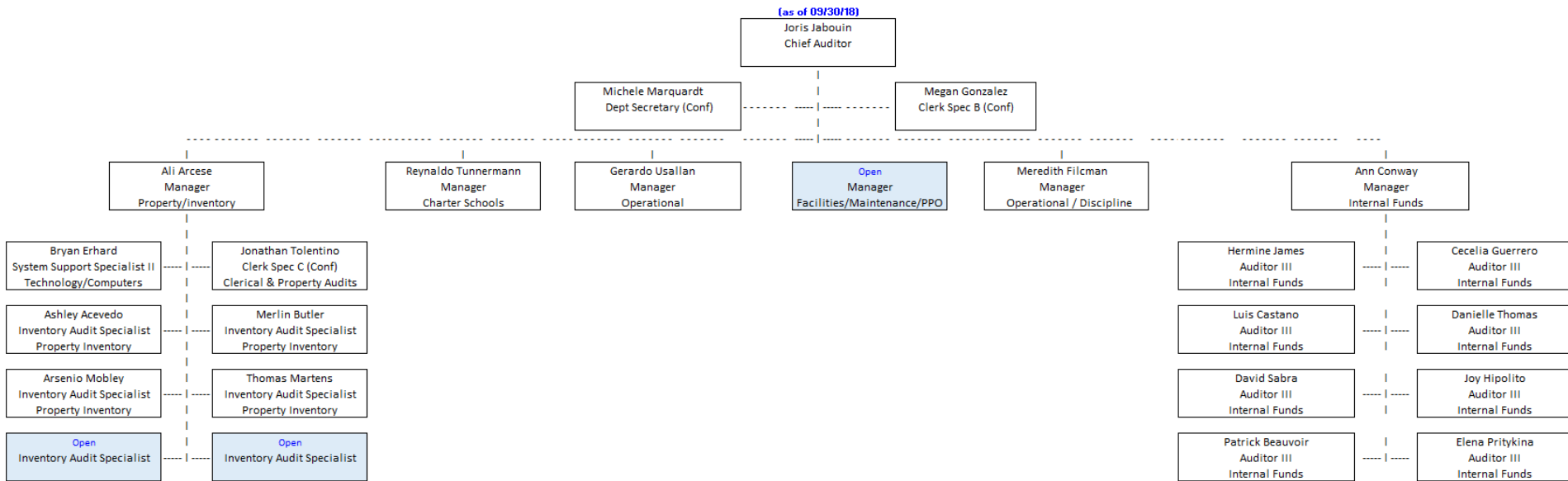
# Assessment of Responsibilities and Headcount

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Office of the Chief Auditor (OCA)  
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# PRIMARY OCA AUDIT AREAS – Fiscal 2019



# Current OCA Organization Chart



Legend:

Filled positions:

Open positions:



Current Headcount:

22 filled positions

3 open positions

25 total positions



# BACKGROUND/STATUS FOR PRIMARY OCA AUDIT AREAS

## Internal Funds Audits

### Background:

The Auditor General's March 2016 report noted an exception in the OCA's ability to timely complete Internal Funds audits and recommended that "the Board should establish a date for completion and submission of internal funds reports".

### Status:

One (1) Audit Manager and eight (8) field auditors are currently assigned Internal Fund audit responsibilities.

As of fiscal year-end the OCA had not yet completed Internal Funds audits for 51 schools from fiscal 2016 and 96 schools from fiscal 2017 in addition to meeting the requirement to complete all schools for fiscal 2018.

The Board previously approved budget for the use of a consulting firm to partially assist the OCA in meeting the backlog of Internal Funds audits.

## Operational (Discipline) Audits

### Background:

The OCA's responsibilities have been expanded to include audits of compliance with the Student Code of Conduct and student discipline policies.

### Status:

The discipline audit responsibilities have been assigned to an one (1) Operational Manager.

However that person will need one (1) staff member to assist them with the detail work while they work on the higher risk portions of the audit strategy.

Internal  
Funds

Operational /  
Discipline



# BACKGROUND/STATUS FOR PRIMARY OCA AUDIT AREAS

## Charter Schools Audits

### Background:

The OCA's current work primarily consists of reviewing the Charter Schools' monthly, quarterly, and annual financial statements to assess the adequacy of their fiscal management.

### Status:

One (1) Audit Manager performs analytical work as well as periodic investigations. The OCA does minimal Audit Committee reporting.

An additional auditor is needed to perform detail work as the manager develops and addresses the higher risk portions of an audit strategy.



**Charter Schools**

**Facilities**

## Facility Audits

### Background:

In addition to performing audits of PPO and maintenance contracts, the medium-term vision is to have the OCA review certain Smart Bond audit work performed by RSM McGladrey.

### Status:

One (1) Audit Manager position (vacant) is assigned this responsibility.

A current Operational Audit Manager has applied for the open Facility Audit Manager position.

However the OCA needs one (1) additional field auditor to assist the new Facility Audit Manager with the detail work while they work on the higher risk portions of the audit strategy.



# BACKGROUND/STATUS FOR PRIMARY OCA AUDIT AREAS

## Operational (Technology) Audits

### Background:

Since technology risks are at an all-time high, the OCA needs to increase its coverage to review general computer controls and certain application controls.

### Status:

One (1) Audit Manager position is assigned this responsibility.

The OCA hopes to recruit an Operational Audit Manager with IT skills if a current Operational Manager transfers to the current vacant Facility Audit Manager role.

Nevertheless, the Operational Audit Manager will need a staff member to assist them with the detail work while they work on the higher risk portions of the audit strategy.



## Property & Inventory Audits

### Background:

The Auditor General's March 2016 report noted an exception that "the District should strengthen procedures to provide for complete annual physical inventories of Tangible Personal Property." Similar findings were noted in the Auditor General reports in 2010 and 2013.

### Status:

One (1) Audit Manager and eight (8) Inventory Specialists are currently assigned Internal Fund audit responsibilities. Two (2) of the Inventory Specialists positions are open.

The OCA was unable to complete the required number of Property & Inventory audits for the year and Property & Inventory audits from prior years. Over the past several years the OCA has only completed an average of 70 of 400 required Property & Inventory audits.

The OCA will participate in a Cabinet-level initiative to review the District's Property & Inventory processes before recommending adjustments to the OCA's headcount.



# BACKGROUND/STATUS FOR PRIMARY OCA AUDIT AREAS



Other

**Background:**

The OCA assists District Management on a variety of matters and issues.

**Status:**

Other services performed for the District by the OCA includes training, participation on various committees, reviews of financial statements/external audits of vendors, reviews of polices/procedures, and responding to requests from District Management.



# OVERALL GOAL: IMPLEMENT BEST AUDIT PRACTICES

(AT THE PROJECT LEVEL)

Project Planning

Project  
Fieldwork

Project  
Communication

Project Closure

(AT THE OVERALL AUDIT FUNCTION LEVEL)

Audit Philosophy  
and Focus

Communication  
& Reporting

Resources &  
Capabilities

Tools &  
Techniques

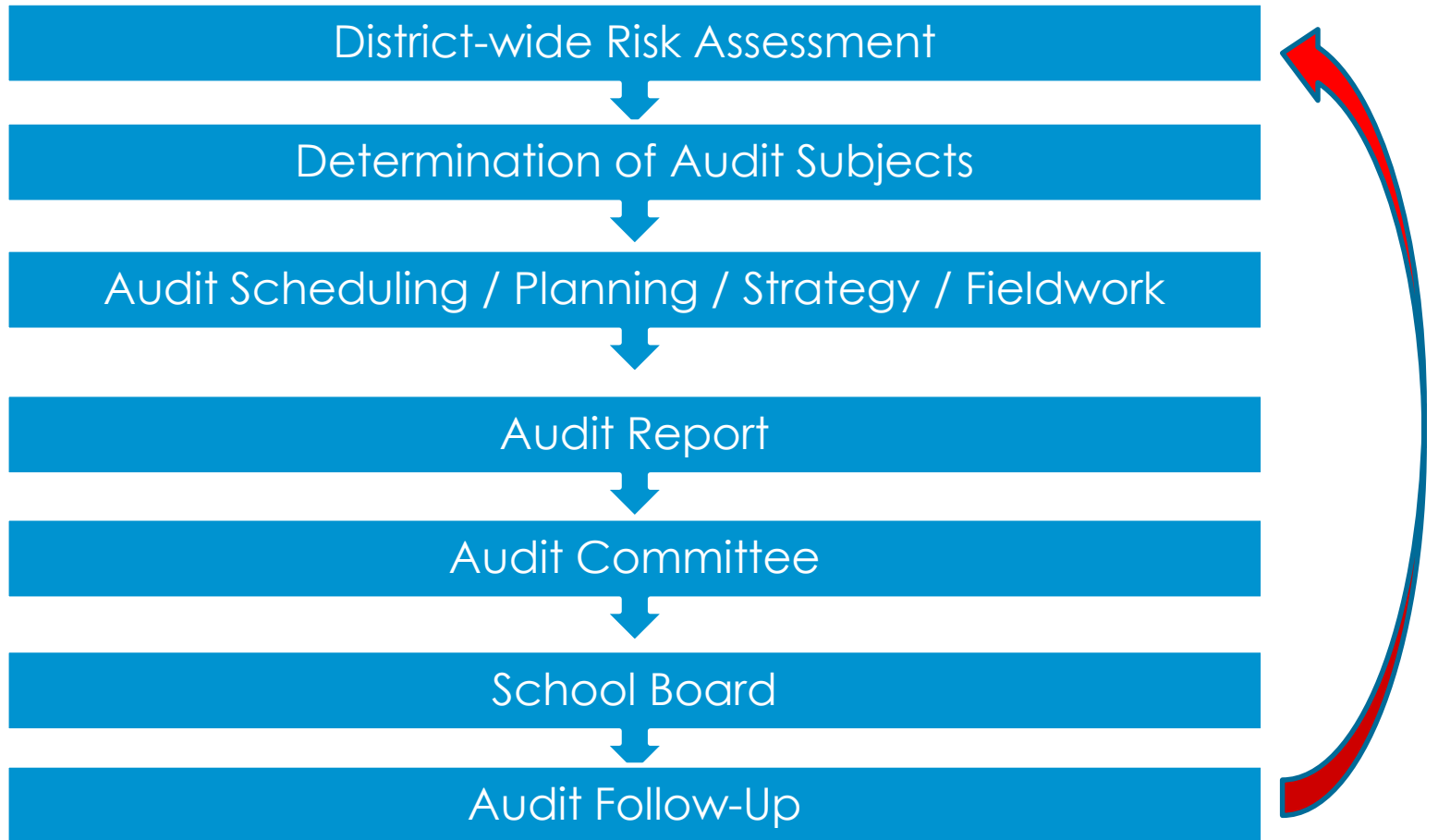
Processes &  
Working  
Practices

Evaluation





# AUDIT PROCESS FLOW CHART

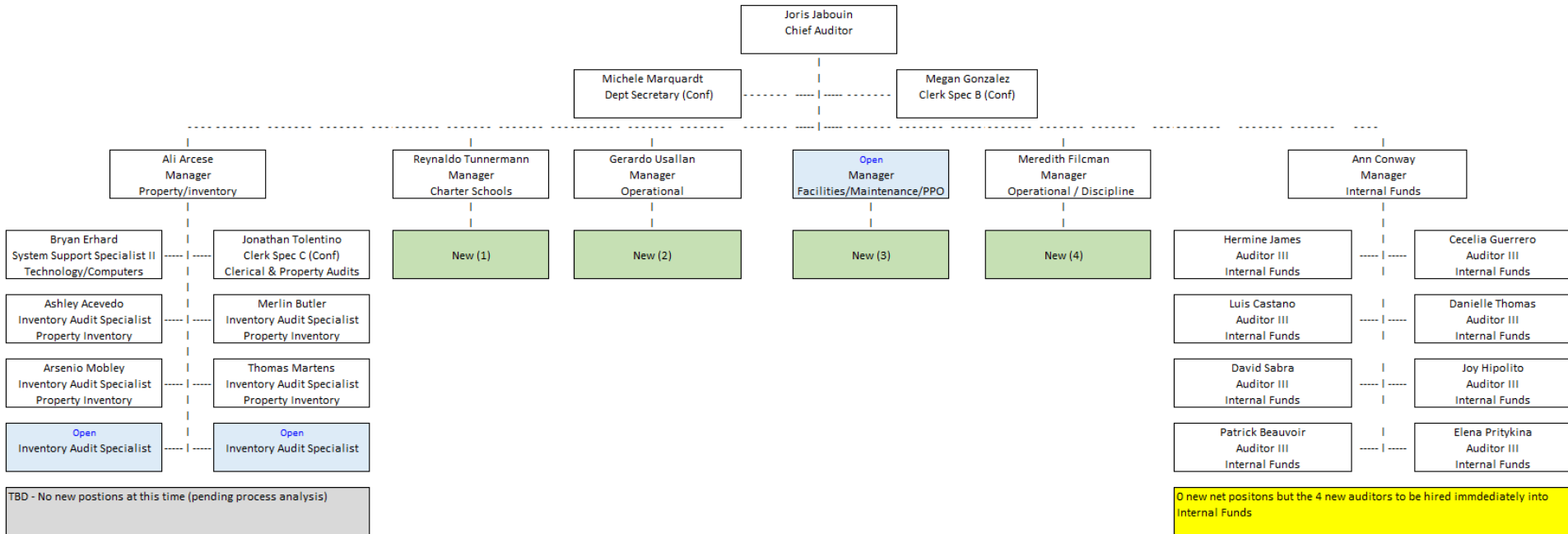


# PROPOSALS

Internal Funds Audits	Operational (Discipline) Audits	Charter Schools Audits
<p><b>+ 4 auditors temporarily then – 4 auditors = 0</b></p> <ol style="list-style-type: none"> <li>1. Streamline the audit work to ensure that at least the minimum steps are completed.</li> <li>2. Continue using an outside firm to assist with these audits (already approved by the School Board).</li> <li>3. Temporarily increase the headcount by 4 (four) auditors who would permanently transfer to other audit areas once the OCA is caught up (thus no net increase to Internal Funds team).</li> </ol>	<p><b>+1 auditor</b></p> <ol style="list-style-type: none"> <li>1. Increase the headcount of the Operational Audits (Discipline) team by one (1) auditor (but that Auditor would initially be hired into the Internal Funds team until those audits are current).</li> <li>2. Increase the responsibility of this team to include work related to outside auditors/ research.</li> </ol>	<p><b>+1 auditor</b></p> <ol style="list-style-type: none"> <li>1. Increase the headcount of the Charter School team by one (1) auditor (but that Auditor would initially be hired into the Internal Funds team until those audits are current).</li> <li>2. Increase the responsibility of this team to also include audits of the student FTE reporting and expenditures of the Charter Schools.</li> </ol>
Facility Audits	Operational (Technology) Audits	Property & Inventory Audits
<p><b>+1 auditor</b></p> <ol style="list-style-type: none"> <li>1. Increase the headcount of the Facilities Audits team by one (1) auditor (but that Auditor would initially be hired into the Internal Funds team until those audits are current).</li> <li>2. Transfer the current Operational Manager, who has construction experience, to the Facility Audit Manager position.</li> <li>3. Increase the responsibility of this team to also include re-auditing some of the work of RSM to determine if the OCA concurs.</li> </ol>	<p><b>+1 auditor</b></p> <ol style="list-style-type: none"> <li>1. Increase the headcount of the Operational Audits (Technology) team by one (1) auditor (but that Auditor would initially be hired into the Internal Funds team until those audits are current).</li> <li>2. Increase the responsibility of this team to also include issues related to investigations.</li> </ol>	<p><b>0 or TBD auditors</b></p> <ol style="list-style-type: none"> <li>1. Initiate a Cabinet-level team to review the District's tangible property and inventory processes.</li> <li>2. Review audit procedures to remove low risk steps.</li> <li>3. Await the conclusion of the process review prior to making recommendations for headcount additions.</li> </ol>
Other		
<p><b>0 new auditors for miscellaneous assignments</b></p> <ol style="list-style-type: none"> <li>1. No increases to address the various other matters and issues encountered by the OCA.</li> </ol>		

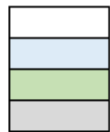


# OCA ORGANIZATION CHART PROPOSAL



**Legend:**

- Existing filled positions:
- Existing open positions:
- Immediate new positions:
- TBD (pending process analysis):



**Current Headcount:**

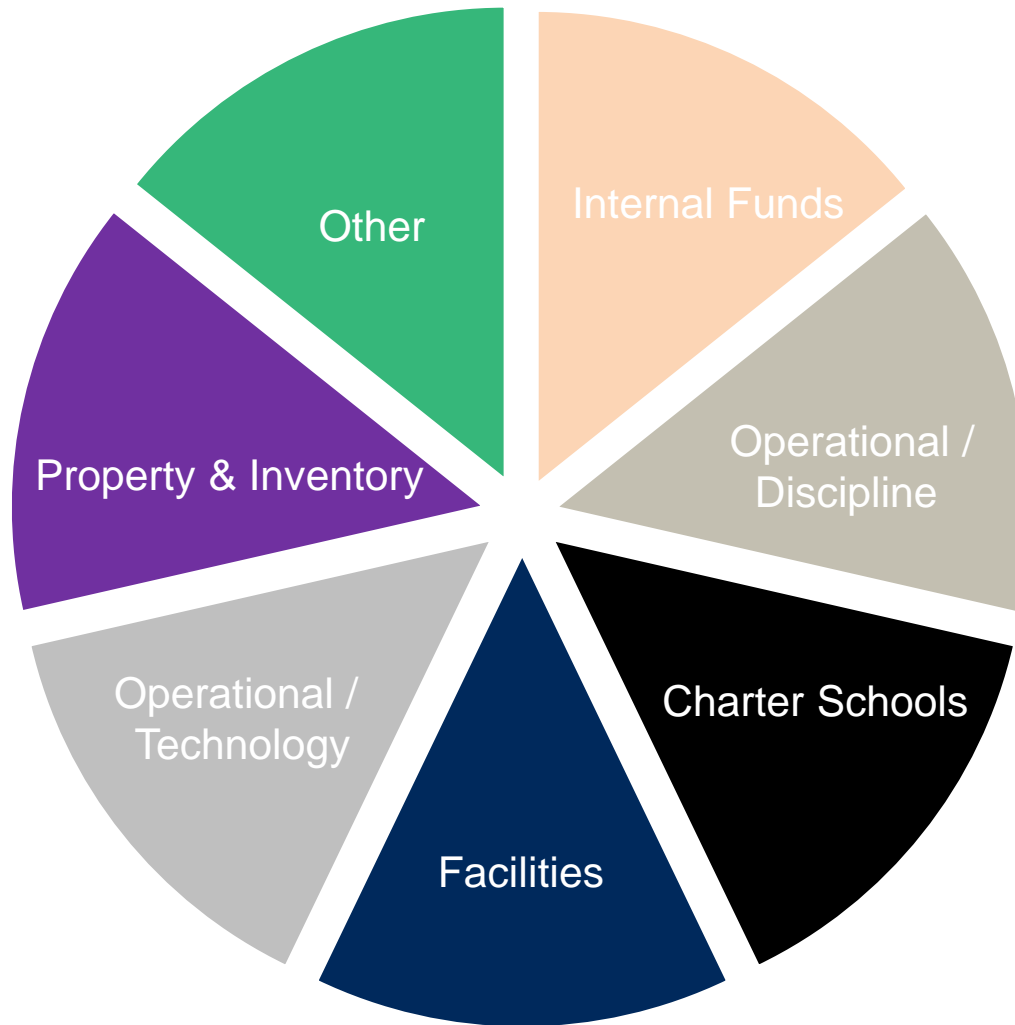
22 filled positions  
 3 open positions  
 25 total positions

**Proposed Headcount:**

4 new Auditor III positions immediately to Internal Funds who would later transfer to Operational & Charter & Facilities  
 29 total positions



# PRIMARY OCA AUDIT AREAS – Fiscal 2020+



# SUMMARY PROPOSAL TO THE SCHOOL BOARD

1. Fill the open Facility Audit Manager position
2. Backfill the two (2) open Inventory Audit Specialist positions
3. Backfill the Operational Auditor (Technology) position (if the current Operational Audit Manager is hired to become the Facility Audit Manager)
4. Increase the headcount of the OCA by four (4 )Auditors
  - The four (4) auditors would initially work on Internal Funds until those audits are current
  - The four (4) auditors would then transfer to the Operational (Discipline), Operational (Information Technology), Operational (Charter Schools), and Facilities audit areas to perform detail work supporting the Audit Managers for those areas
5. Await the conclusion of the Property & Inventory process review before considering any further headcount additions for the Property & Inventory audit area



# FY 2019 PROJECTED COST CONSIDERATIONS

- 4 Auditors = \$400k annual cost for increased staff
  - Assumed auditor salary \$70k + Benefits \$30k = \$100k cost per auditor
- Offsetting factors (\$352K)
  - Delayed hiring
  - Delayed back filling
  - Delayed recruiting



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