

**MEETING OF
THE BOARD OF EDUCATION OF HOWARD COUNTY
AUDIT COMMITTEE**

December 18, 2007

The Audit Committee of the Board of Education of Howard County met in public on Tuesday, December 18, 2007, at 2:30 p.m., in conference room ML-2, located at 10910 Route 108, Ellicott City, Maryland. The following were present:

Patricia S. Gordon, Chairman, BOE Audit Committee
Lawrence H. Cohen, BOE Audit Committee
Ellen Flynn Giles, BOE Audit Committee (arrived 2:45 p.m.)
John J. Connors, Internal Auditor
Ray Brown, Chief Operating Officer
Susan A. Shown, Recording Secretary

The meeting was called to order by Committee Chairman Patricia S. Gordon. On motion by Mr. Cohen and second by Ms. Gordon, the agenda was approved as amended (2/0).

On motion by Mr. Cohen and second by Ms. Gordon, the minutes of the Audit Committee meeting on September 26, 2007, were approved (2/0).

Mr. Connors provided an overview of recent and current activities.

Status of School Audits

- Issued audit reports:
 - Bellows Spring ES
 - Atholton HS
- Audit work completed (Draft reports being prepared)
 - Clemens Crossing ES
 - Thunder Hill ES
 - River Hill HS

Mr. Connors stated that Mr. Brown will work with the Administrative Directors and school principals to develop spending guidelines and identify eligible expenses for staff appreciation and meals and entertainment. Funds in those accounts are typically generated from fundraisers, donations, vending machine profits, school pictures, etc.

Staff is also working to develop a program which will allow schools to accept payment by credit card for such things as AP testing fees, school pictures, field trips, etc.

Approved – March 10, 2008

Quarterly FY 2008 Audit Plan Update

- Eight audits completed (three reports still to be issued).
- Audited disbursements of \$2.5 million.
- Audited bank balances totaling \$635,715.
- Plan Goals - 50% of schools and 70% of bank balances. As of December 31, 2007, 28% of schools are complete and 41.5% of cash audited. Based on results to date the goals may have been overly ambitious/ optimistic.
 - Doubtful that 70% goal will be met. Even if all five remaining high schools are audited, that is only \$927,000 of the \$1.35 million needed to reach the goal.
 - 50% goal may be achievable depending on mix of schools selected for audit. Atholton HS and River Hill HS took longer than expected due to volume of transactions and nature of findings reported (more analysis was needed).
 - Nonetheless, school audits will continue to be conducted considering all relevant factors (transaction volume, large fluctuations in bank accounts, reported instances of accounting issues, etc.) and not for the sake of meeting a numerical goal.

Statement on Auditing Standards

Mr. Matthew E. Birkelien, Senior Manager, Clifton Gunderson, LLP, Certified Public Accountants and Consultants, discussed the with the Audit Committee members the more significant aspects of their audit of the HCPSS financial statements for the year ended June 30, 2007. He explained that the audit provides reasonable but not absolute assurance that the financial statements are free of material misstatement. Their conclusion was reached by testing and sampling items having a higher potential for material misstatement. He emphasized that an audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

Highlights of the audit summary:

- *Significant accounting policies* – There were no significant accounting policies or their application which were either initially selected or changed during the year.
- *Management judgments and accounting estimates* (process utilized in forming estimates for depreciable lives of capital assets and claims liabilities) – Various audit procedures were performed to assess the estimates and no significant exceptions were identified.
- *Significant audit adjustments* – There were no adjustments arising from the audit that could have a significant effect on the entity's financial reporting process.
- *Summary of uncorrected misstatements* – Management has determined that these uncorrected misstatements are immaterial to the financial statements taken as a whole.
- *Other information in documents containing audited financial statements* – Re: HCPSS' Comprehensive Annual Financial Report – No procedures were performed nor was other information in the report corroborated. However, a reading of management's discussion and analysis of financial conditions and results of operations and the introductory and statistical sections concluded that the information did not require revision.

Basic audit financial statements:

- *No disagreements with management* – There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the HCPSS’ financial statements or the report on those financial statements.
- *Consultations with other accountants* – Management stated that no consultations were made with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.
- *Major issues discussed with management prior to retention* – There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.
- *Difficulties encountered in performing the audit* – No serious difficulties were encountered in dealing with management related to the performance of the audit.

Roundtable - Mr. Connors provided an update on the following items:

Legislative audit update (Auditors are winding up work in Harford County and audits are underway in Baltimore and Montgomery counties).

- School System Auditors – networking seminar (Baltimore County Public School System) December 5, 2007.
 - Some counties have more restrictive policies for spending school funds.
 - Auditor staffing varies throughout the state from 0 to 10 positions (Harford and Howard have one auditor, BCPSS has ten, and other counties in attendance have somewhere in between.)
 - Some School Systems have or are establishing fraud and abuse hotlines (outgrowth of Legislative Audits) and have investigators on staff or available.

Scheduled meetings

- Closed meeting: December 18, 2007, immediately following the quarterly meeting of the BOE Audit Committee.
- Next Audit Committee quarterly meeting: March 10, 2008, 2:30 p.m.

Quarterly meetings of the BOE Audit Committee for 2008 should be scheduled in March, May, early August, and early November.

The meeting was adjourned by the Chairman at 3:35 p.m.