

Lakeville Area Public Schools  
Audit Committee  
Wednesday, August 16, 2017  
3:00 PM - 4:00 PM

#### Attendees

- Board of Education Members
  - Chair, Michelle Volk
  - Treasurer, Robert Erickson
  - Director, Judy Kehiler
  
- CLA Members
  - Dennis Hoogeveen - Lead Engagement Principal
  - Lucas Chase - Senior Associate
  - Michelle Hoffman - Manager (via phone)
  
- Staff Members
  - Andy Sarnow, Executive Director of Business Services
  - Joe Bertram, Controller
  - Jill Koppelman, Accountant

#### CLA Agenda and Notes

##### 1. Deliverables

- a. Report on audited financial statements – presenting a CAFR for the second time in FY17
  - i. Will provide roll forward of last year's Stats tables for District staff to update
  - ii. Transmittal letter template sent to update
  - iii. Will address 3 minor comments received along with CAFR certificate from PY
- b. Report on Student Activities, Single Audit and Legal Compliance (SOFA)
- c. Prior Year Findings
  - i. Clean or Unmodified Opinion on Basic Financial Statements
  - ii. Yellow Book Internal Control Letter
    1. One significant deficiency – capital asset procedures
      - a. Per preliminary fieldwork has been partially resolved due to paying for a full inventory to be taken and planning to start more formal internal counts and department head communications.

- i. Inventory includes large capital asset purchases as well as attractive and portable items (i.e. iPads, Chromebooks, etc.)
    - ii. Formal internal inventory counts are planned to start in FY18
  - iii. Single Audit
    - 1. Material weakness in the special education program
      - a. Time and effort documentation
    - 2. Significant deficiency in the special education program
      - a. Noted 5 employees for which proper support had not been retained for their monthly cell phone reimbursements
    - 3. Significant deficiency in the special ed program
      - a. Suspension and debarment
  - iv. MN Legal Compliance – no findings noted
  - v. Student Activities – standard cash basis opinion; presented only for the two high schools
    - 1. Material weakness in internal controls related to cash receipts
- d. Executive Audit Summary (EAS) which typically includes Internal Control Letter and Required Communications
- e. Preparation of Data Collection Form (for single audit)

## 2. Audit Timing

- a. Audit Dates:
  - i. Prelim – July 26-28 (W-F)
  - ii. Final Fieldwork – August 16-18
  - iii. Wrap Up – August 28 to September 1
- b. PY Report goals – Establish goals for FY17:
  - i. Draft to Joe – October 5
  - ii. Drafts to BAC – October 13
  - iii. Review Drafts with BAC – October 17
  - iv. Finals to School Board – October 20
  - v. Board Workshop and/or Full Meeting – October 24
  - vi. Finance Advisory Committee Meeting – TBD

## 3. Audit Staffing

- a. Dennis Hoogeveen, Principal
- b. Michelle Hoffman, Manager
- c. Lucas Chase, Senior
- d. Nick Sigurdson
- e. Dylan Shoemaker
- f. Andrew Beranek
- g. Chris Lang

4. SAS 99 discussion (“Fraud Risk Brainstorming”)
  - a. Board knowledge/responsibility related to internal controls
  - b. Fraudulent financial reporting/misappropriation of assets risks
    - i. Opportunities
    - ii. Pressures/Incentives
    - iii. Rationalizations
  
5. Risk Areas
  - a. Taxes (and tax shift)
  - b. State Aids (recalculation of General Ed Aid and override of others as possible)
  - c. Federal Aids
  - d. Fund Balance Restrictions or Assignments
  - e. Unusual transactions
    - i. Bond issuance and refunding
      1. No bonds issued in FY17
  - f. Any claims, litigation, allegations of fraud?
  - g. Changes in internal controls
  - h. Changes in systems
  - i. Changes in personnel
  - j. Changes in grant funding
  - k. Any areas you would like us to spend more time on or look at?
    - i. Board asked CLA to look at Community Ed due to the turnover in staff in the last year as well as the increase in programs, children enrolled and credit card payments. Board members do not have any concerns regarding Community Ed; just want CLA to be aware of the increase in payments.
      1. CLA suggested a PCI phone call if Board members are interested to examine more in depth the internal controls in place.
    - ii. Board also requested additional testing for Purchasing Cards equivalent to what was completed in the FY16 audit.
    - iii. Board members also mentioned the new Teacher Evaluation program for FY18 and the different levels upon which teachers would be eligible for Q-Comp funds and how the funds would be awarded.
  
6. Emerging Issues and Other
  - a. GASB Standards
    - i. GASB 73 – OPEB Benefits Changes (actuarial changes)
    - ii. GASB 74 & 75 – effective in FY18, similar to GASB 68 and 71 but applicable to OPEB liabilities
  - b. GASB 54 – Actions taken to update/verify commitments of fund balance? (i.e. severance/retirement benefits)
    - i. There were no fund balance commitments last year, \$6.6M of assigned fund balance

c. Prior year audit work papers sent to Joe

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