

LINCOLN COUNTY SCHOOL DISTRICT
BOARD OF TRUSTEES DISCUSSION WORKSHOP
THURSDAY, FEBRUARY 9, 2017– 4:00 P.M.

Members Present: Ty Mizer, Peggy Rowe, Patrick Kelley, Carolyn Harr, Wade Poulsen
Superintendent: Pam Teel
Principals: Cody Christensen – COB, Brian Higbee – PVES, Stephanie Vincent – Pioche Ele. ,
Marty Soderborg – LCHS, Cherry Florence – Caliente Ele.

Call to Order Pledge of Allegiance

President Mizer called the meeting to order at 4:09 pm and President Mizer led the Pledge of Allegiance.

Public Comment

None

Internal Controls – Dan McArthur

Mr. McArthur –First thing an auditor does is put together an Engagement Letter, which is signed, by the superintendent and CFO. It says what I am going to do as an auditor and what your responsibilities are as management of the school district. “Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.”

There is the feeling that the outside auditor is the one who does all of these things when it is the responsibility of the management of the entity.

Independent Auditor’s Report – “Management is responsible for the preparation and fair presentation of financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.” Management makes sure there are checks and balances in place.

Why internal controls? – Enron example

Internal Control – what is it? Water System example

A system that makes sure that when you get a financial statement there is someone looking over it to make sure there are not any errors in it. To know that you are making decisions on safe financial information. A couple of years ago the software program did not post payroll properly. This caused some budget problems at the end of the year. We put in an extra check and balance so it does not happen again. Internal control systems are designed to give appropriate information to all who have an interest in the financial information of the district.

Five elements of internal control. Every entity needs to have these elements in place. District has to because of receiving state funds.

1. Control Environment – The standards that provide the basis for carrying out internal control across the district. Does the board and management promote ethical behavior? The board and district management set the tone at the top regarding the importance of internal control and expected standard of conduct. The auditors look at the attitude of the people in the work place is there a culture of honesty, ethical behavior, and a commitment to accurate accounting. We are looking to see if the checks and balances are in place.
2. Risk Assessment – What management does to identify and respond to risks. We are going to control the risk of losing money – investments, expenditure/revenue posted to wrong account, cyber risks; somebody might take control over assets, and IT – security measures stealing personal information. What assets do you need to control? Which capital assets do we control and which ones do we not worry about? How much time and money do we want to spend controlling assets? Items of value - things we keep track of that is something someone can walk off with for example cell phones, computers, and TV monitors. How are we going to control and at what level to we want to control them?
3. Control Activities –This is the one the auditors look at the most. What are the steps you have in place to make sure our assets and liabilities are being controlled and monitored? What controls are in place to make sure the debt is properly monitored, how payroll is handled, contracts in place to be signed by superintendent, paychecks written for the right amount and paid to the right person, and bank accounts reconciled each month? We look at the budget, who controls the budget, cash and investments, petty cash, debt, capital assets, revenues, expenditures, payroll, self-insured health plan, federal grant compliance, computers and IT control.

4. Information and Communication –Communication of the policy of the district and how that policy operates. Financial policy is online if there is a question. Timeliness - the right information gets to the right people in a timely manner. Always make a note that you had a discussion with someone, what you discussed and what you agreed too.
5. Monitoring – When the board looks at monthly financial reports, you are doing a form of monitoring.

Checks and Balances – They are there to keep us safe and people honest. Father bakery example

Cash – state statute indicates that it has to go into a bank that is FDIC insured.

Petty Cash– Statute on how fund can be established. Bank should never open accounts without a resolution from the board. School ID number on all accounts. Periodically call the bank and ask for an accounting of all the accounts that have our tax id number on them.

Capital Assets – Statutes on what they are and how are they monitored.

Debt – Limits on how much we can borrow and for how long.

Revenues - Property taxes - Set by the State. Student activity funds carry the most risk. The money stays in a local school account. Should only be set up based on the board's approval. The money that comes in needs more scrutiny over it. The district does have a policy for these accounts to make sure the money is properly accounted for.

Expenditures –Most of them come before you for approval on a monthly basis.

Separation of duties – If you have one person who controls transactions from beginning to end, then you set that person up for failure. We need to have checks and balances in place. We need to have a double check system factored in to the district's internal controls. Example – federal grant/contract

Who is responsible for internal controls? –Everyone is responsible. Board is responsible for setting policy.

Superintendent is responsible for implementing the policy. Who is the management of the school district?

Trustee Poulsen - There are different levels of management – Administrators manage their schools, teachers manage their classrooms, we have a superintendent that manages the schools, we have a board that manages all student and financial responsibilities.

Mr. McArthur – Who is responsible to manage the finances of the district? Who is management? Superintendent manages internal control.

Trustee Poulsen - The administrators are responsible for their finances at their schools. The superintendent helps to create the budget through the administrators input, establishes the budget, and administers the budget. The board approves the budget, have input concerning the budget, are responsible for signing the budget, and making sure the superintendent administers it properly. That is how I view it.

Mr. McArthur – The board is not here on a daily basis. In order to manage internal controls, it becomes administration's basic responsibility. The board sets the policy, and then the superintendent implements policy. I give management suggestions and recommendations. Section D of policy - Physical Management - District budget prepared by staff, and then brought to you for approval. That is directed by state statute. How do we implement policy? How do we document that each step took place? Documentation for auditors is a big deal. My biggest concern is that it is important for the board to know that I am not internal control. I come in after everything is done, I look for issues and I bring it to your attention. Everybody in the district is a part of internal control - to have the checks and balances in place to make sure the money and assets are where they are supposed to be. We keep honest people honest.

Trustee Kelley – Credit cards really bother me. We okay it every month, what are the checks and balances on them?

Mr. McArthur – Credit cards/Purchase cards are a serious problem for auditors. Can spend before anyone approves or the documentation does not exist for the expenditure. They are an added risk. For every credit card transaction, there has to have a receipt indicating what that item is for. If there is a question on the receipt, then we go to the person who bought it to justify this purchase, then if more is needed, we will sit down with the superintendent and require additional explanation to make sure it is a valid expenditure. The State of Nevada has created this chart of accounts so districts use identical numbers throughout the state.

Superintendent Teel - Expenses should not come before the board for approval until it has gone through our internal controls.

Mr. McArthur – I don't expect you as a board to go through every invoice and sign off on them. If you see something one there that seems odd, then question it in a board meeting. Gift cards are worse than a credit card, it is no different than handing someone cash. Credit cards have a paper trail. Gift cards do not. Not recommended

at all. Debit cards – They are used at the school level. We have a policy that they cannot use them in an ATM and take cash out. There is a good overall environment here.

Food Service

Superintendent Teel – This is our third year with Clark County. They have eased our food service issues in many ways. This year our meal counts are down. I have asked Brian Higbee to be head of food service. We were in corrective action all last year with the Nevada Dept. of Agriculture. What other options do we have?

Mr. Higbee – We had a brief discussion on the lunch program in December concerning the numbers, public perception of the lunch program, and what the kids think. The Lincoln County survey is almost identical to the state survey.

Teri Lee – Review of January 2016 numbers to January 2017 numbers. Down by 6%. MVMS is the only closed campus in the district, and even their numbers have gone down this year.

Mr. Higbee - We are being hurt by the competition (businesses) in our communities. The kid's perception of the food is that it is terrible. It is not. It is very much adequate. With that perception, the kids just want to go somewhere else. If you stay and eat, you are not part of the in-crowd. We cannot have salt in the kitchens.

Superintendent Teel – We are starting in February to serve a rotation of the “favorite meals”.

Mr. Higbee - Chartwells Discussion – We approached Chartwells to see what they can do. We had a meeting with them and I traveled to White Pine to see what they do there. It is impressive what they do. They are all over the country. They come in and they do everything. Their job is to make money. They get the reimbursement. It is business and they run it that way. Employees – what do you do with current employees? There are a couple of options. District lays off all employees and they can be hired back at a new wage. They have a benefit package. They lose their PERS. They will bring kitchens up to code. It is an investment. There is a contract with them for a certain amount of time. They put \$25,000 into White Pine. The food is tremendous. On a regular day, spicy chicken sandwich, regular chicken sandwich, pizza, hamburgers and an entrée. They have a salad bar. Few drawbacks – employees being one. They take food to outlying areas in hot/cold boxes. It comes down to cost. The lunch program has always been in the red. The first year with Clark County, we broke even, and from then on, it has been going down. If you look at 2015-2016, the lunch program was \$51,418 in the hole. 2016-2017, we are \$26,000 in the hole at this time. We are feeding less people. How much do you want to be in the red with the program? We can find vendors, but we would be paying significantly more.

Superintendent Teel - How much do you want to invest in the lunch program? Chartwells would not really give us a quote. We would be significantly higher because of location and they want us to close campus or we will not touch you.

Mr. Higbee - Internal control said if they could go back, they would not do White Pine. They are not making what they thought they would make. Numbers from 2015-2016 were up a 150%. Numbers are going down this year. Paul Johnson saved \$40,000. He would not say how much they were losing before they went to Chartwells.

Superintendent Teel - Are there other options out there? Do you want us to look? We asked Chartwells if they are a possibility. It came down to we need to close all campuses. It will cost a little more for lunch. How much do you as a board want to invest in school lunch? Even the state suggested we close our campuses. We need kids to start eating again.

Trustee Rowe – If we can improve the food to where they want to eat, where they are willing want to eat, that will encourage them to come back.

Tracey Weideman – I called the secretary at White Pine. She said it is still the same food. It is the reimbursable meals. The Grab N Go's are huge here. We have bought stuff out of our own pockets to encourage the kids to eat. We do not know what to do.

Discussion of Survey

Public Comment

None

Adjournment

Trustee Harr made a motion to adjourn, motion seconded by Trustee Kelley; motion carried.
Meeting adjourned at 6:06p.m.

Board President

Date

Board Clerk

Date