

ENNIS PUBLIC SCHOOLS
*******TUESDAY, JULY 24, 2012*******

SPECIAL BOARD MEETING
FINAL AGENDA
5:00 P.M. - Room #3

PLEDGE

- I. VISITORS AND PATRONS**
- II. PUBLIC COMMENT**
- III. NEW BUSINESS**
 - A. Meet with Kim Downey, Denning and Downey, to Discuss Proceeding with School Audit
 - B. Health Insurance Payment for Doug Walsh
 - C. Update on Hiring New Auditor for 2012-2013 School Year

**SCHOOL DISTRICT 52
ENNIS, MADISON COUNTY, MONTANA
TUESDAY, JULY 24, 2012**

SPECIAL BOARD MEETING - 5:00 P.M.

Lisa Frye	Chairperson
Craig George	Vice-Chair
Jim McNally	Trustee
Mike McKittrick	Trustee
Bill Clark	Trustee
John Overstreet	Superintendent
Ginger Martello	District Clerk
Dave Schulz	County Commissioner
Jim Hart	County Commissioner
Dan Happel	County Commissioner

Chairperson Frye called the meeting to order. The pledge to the flag was recited.

VISITORS

Per Attached

Public Comment

None

NEW BUSINESS

Meet with Kim Downey, Denning and Downey, to Discuss Proceeding with School Audit

Chairperson Frye explained to the public Kim Downey was present to explain the process on how to proceed with the school audit.

Ms. Downey informed the board the original proposal outlined the cost for both proposals. The cost was not much different. She asked if the plan was to go back to FY05 to present and focus on transportation, flex and adult education funds? She explained Appendix A will address the scope and details of the audit, what to look at and how to proceed.

Ennis School District 52
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Chairperson Frye said the board agreed to the county's language.

Ms. Downey explained a full forensic audit requires looking at every expenditure and revenue and can take a lot more time. The other option is to focus on the building and do a sampling of other funds to determine where to proceed.

Trustee McNally asked if this would be a top-down approach vs. bottom-up? If that was the case, he felt it was a good way to go.

Chairperson Frye said yes, and if other things were found they wanted to proceed. She said the district needs to restore public trust. Uncover rocks and go in-depth to answer questions. She felt the cost would be cheaper than piecing it together.

Ms. Downey said if there are specific questions to answer it would help to know them upfront.

Chairperson Frye asked to have the purchase of the two houses checked.

Trustee McNally explained these funds would already be looked at as part of the construction. He asked how the report will tie the funds not related to construction to the AG opinion.

Ms Downey stated Appendix A will address the scope. The report will address what is found and the legal criteria. She asked how the board wanted to do the sampling. Look at payments over a certain amount, random or scan through and choose. Usually, they do a combination of all three. She said limiting the dollar amount would change the time line.

Trustee George said he did not want to see a dollar limit. He wanted to see wages and reporting of salaries addressed. He felt this would help satisfy the communities questions. What funds they were paid out of and 1099 reporting, including benefit packages? He said a forensic audit needs to be done.

Ms. Downey said knowing specific questions would help. The talk was to address claims and now it includes payroll. Pinpointing areas, such as, credit cards, or other things help reign in the auditor. Do you want to determine allocation costs as it pertains to the use of the building?

Dave Schulz said Ms. Downey was given the proposal the board supported. It covered most all funds. This can be used as a basis and then prioritize where to continue.

Ms. Downey clarified a forensic audit looked at a 100% of everything, including looking at all funding sources and the board minutes. The board needs to decide how to proceed.

Trustee McNally asked if the term forensic should be modified to a full in-depth audit.

The board discussed how to proceed and how to determine what to sample. They also discussed the cost of a 100% sampling. The board also discussed getting input from the public about what they would like to see addressed. They agreed a combination of all three criteria be used when sampling.

Dave Kelley felt problem areas included unreported compensation. He wants to match the W-2's and 1099's. What are the tax implications to the district? Transfers into the flex fund and how they have been spent out should be looked at. Credit card usage needs to be addressed. Mr. Kelley said he had a file he would be happy to share with the auditor. He felt looking at allocations was a waste of time based on the AG opinion.

Kelly Robinson agreed and said allocation of the building was a nonissue.

Discussion continued about the necessity of looking at allocations. Trustee George felt allocation should be looked at to help determine continual funding of utilities. Ms. Martello explained Lance Melton, MTSBA, addressed the discussion of allocations and Trustee McNally asked that she provide this information to Ms. Downey.

Ms. Downey asked for permission to access the district software with read-only rights. This way they can run any reports needed. Otherwise, she would leave a list of reports here and Ms. Martello would run the reports and send them to the office. Ms. Downey also asked to take the original documents back to her office. Normally, this is done so they don't end up missing. Once the audit is resolved, the documents will be returned.

Shelly Burke said she has copies of the warrants through 2010 when the district moved their money.

Trustee McNally said at the bank they don't allow access to their software. The documents could disappear at either venue. He also was afraid viruses could contaminate the system. He asked if the district would be protected under her liability insurance?

Eileen White asked if it was common practice for a forensic audit?

Dan Happel felt the auditor would make sure files didn't disappear.

Ms. Downey explained for a forensic audit it is common practice to take original documents with them. Fraudulent charges can disappear. If she did not take the documents, she would leave a list of documents for Ms. Martello to pull. They would bring down a team of five people to go through everything and copy the documents for their files. This would add a lot of time.

Suzanne George asked if they have ever been denied taking the files? She asked if this

meant looking at the computer, or files or both? She asked if they ever lost anything?

The commissioners left for another meeting at 5:37 p.m.

Dave Kelley asked if the superintendent and clerk's computer was replaced this year.

Ms. Martello explained she has had the same computer for the last three years. Last year a virus attacked several computers including the secretaries and the superintendent. They received new computers. In order to fix the problem, the computers needed to be stripped and the operating system reinstalled. Superintendent Overstreet was given a new computer and Mr. Walsh's computer is property of the district.

Trustee McNally made a motion to disallow access to the computer system and allow the treasurer to provide the warrants. He felt it was worth the extra expense to send down people to look through the documents. The motion failed for lack of second.

Ms. Downey explained the remote access to the software would be secure. Having the documents at their office would be a benefit to the district. It will save time for the district's staff and there won't be any concerns with documents being compromised or not pulled appropriately.

Eli Thompson told the board to let them take the documents. If the truck wrecks, it will solve everything. The documents are just as safe there. They aren't fire proof here.

Jan Smith asked if the county allowed them to take their documents back?

Chairperson Frye said not normally.

Eileen White said letting them take the documents would take off pressure. This way there couldn't be any questions or rumors.

Ms. Martello asked that the documents for last year be left here. She explained they have to get into the documents throughout the year. She also explained access to the old computer system may not be able to be done remotely.

Trustee McKittrick made a motion to allow remote access to the software system and allow Ms. Downey to take the originals documents except for last year. Trustee George seconded the motion. Trustee McKittrick, Trustee Clark, Trustee, George, and Chairperson Frye were in favor. Trustee McNally was opposed.

Trustee McNally asked questions regarding the engagement letter. He asked how an adjusting entry could be done to fiscal reports when the reports have been closed? He also asked who the client will be?

Ms. Downey explained a journal entry can be made as a prior period adjustment. She explained the district would be the client. She added the county because they wanted to be kept in the loop.

The board discussed Ms. Downey updating the board on their progress weekly. The updates will be sent to Ms. Martello and she will pass them onto the board members. The board also discussed how to address tips or leads from the community.

Marlene Martin said information should be passed through Superintendent Overstreet. He has not been here and is not biased. She said the board hired him. He is honest, educated and reasonable.

Discussion took place about how to channel information and how to document what is given to the auditor. Trustee George felt anything should be forwarded and the auditor could determine whether it was relevant.

Eileen White felt information should be given to a board member or Superintendent Overstreet and then to the auditor. It should be kept anonymous.

The board agreed that documentation could go through a board member or through Superintendent Overstreet. They asked Ms. Downey to document what was received.

Dave Kelley said he has a package to deliver to the auditor and he knew the district doesn't get everything delivered. He was going to give it to the auditor and they could choose whether or not to look at it.

Kelly Robinson said many people wanted to share with the auditors. This is a public thing. They are professional people and anyone who wants to give information to the auditor should be allowed.

Melissa Newman asked why Mr. Kelley is the exception to the rule. She also felt the auditor needed to document anything received. She said the board is split and so is the community and information should be passed through Superintendent Overstreet.

Eli Thompson said documents should go through the board. It was not appropriate for the public to address the auditor without going through the proper channels. They don't have time to deal with the public. The district is the client.

Ms. Downey explained that she is hired by the board and therefore, information should go through the district. She won't necessarily look at the information. The audit is done on what was discussed. The public addressing her directly could become a cost factor. Trustee McKittrick made a motion to channel public information for the auditor through a

board member or Superintendent Overstreet. Trustee George seconded the motion. All members present were in approval.

Ms. Downey explained she will draft Appendix A based on what was discussed and have Ms. Martello pass it onto the board members for review. She will also gather some of the documents in the morning.

Health Insurance Payment for Doug Walsh

Superintendent Overstreet explained he spoke with Elizabeth Kaleva about Mr. Walsh's insurance payment. She recommended the district pay the insurance company directly each month.

Ms. Martello explained that Mr. Walsh will be covered under a medicare supplement and Mrs. Walsh will be covered under COBRA coverage until December when she qualifies for medicare. She asked permission to pay the Walsh's for July's premiums and in August pay for August and September to get ahead of the payment.

Trustee George asked if the district was required to pay a supplemental policy if Mr. Walsh is covered under medicare. Superintendent Overstreet explained that part of Mr. Walsh's contract was for the district to provide full health insurance.

Trustee George made a motion to pay Mr. and Mrs. Walsh's health insurance premiums monthly directly to the insurance company beginning August and reimburse them for July's premiums. Trustee McNally seconded motion. All present were in approval.

Update on Hiring New Auditor for 2012-2013 School Year

Trustee McKittrick informed the board the committee met to discuss the process for hiring a new auditor. They looked at the information from last year and narrowed it to three companies.

Ms. Martello explained she called the three companies to see if they were still interested in putting in a proposal for an audit. The companies include: Rudd and Company, Newland and Company and Strom and Associates. Two companies are interested and the third has not been reached yet. The board will be updated as information is available.

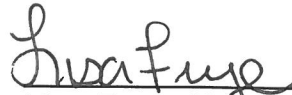
Update on TRS

Superintendent Overstreet talked to Elizabeth Kaleva about updating the board on the TRS litigation. She will send a few dates and we will set a schedule.

As there was no other business for the attention of the board, the meeting was adjourned at 6:22 p.m.

Attest


Ginger R. Martello, District Clerk


Lisa Frye, Chairperson

8-13-12
Date Approved

Ennis School Board Meeting

Visitor Sign In

Date: July 24, 2012

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| 1. <u>Marlene & Mark</u> | 21. _____ |
| 2. <u>LIZ McFALL</u> | 22. _____ |
| 3. <u>MIKE RICHMAN</u> | 23. _____ |
| 4. <u>Cindy McKittrick</u> | 24. _____ |
| 5. <u>Melissa Newman</u> | 25. _____ |
| 6. <u>Billy Apple</u> | 26. _____ |
| 7. <u>Susanne & Jason</u> | 27. _____ |
| 8. <u>Jan Smith</u> | 28. _____ |
| 9. <u>Kelly Robinson</u> | 29. _____ |
| 10. <u>Dave Kelley</u> | 30. _____ |
| 11. <u>Ellis Thompson</u> | 31. _____ |
| 12. <u>Michael Smith</u> | 32. _____ |
| 13. <u>Carol Off</u> | 33. _____ |
| 14. <u>Shelly Burke</u> | 34. _____ |
| 15. <u>Eileen White</u> | 35. _____ |
| 16. <u>Lois Walsh</u> | 36. _____ |
| 17. _____ | 37. _____ |
| 18. _____ | 38. _____ |
| 19. _____ | 39. _____ |
| 20. _____ | 40. _____ |