



**The Schools of McKeel Academy, Inc.**

***McKeel Academy Central  
McKeel Academy of Technology  
South McKeel Academy***

**Board of Trustees  
Audit Committee Meeting  
MINUTES**

**October 13, 2017**

The Audit Committee met on October 13, 2017, in the director's office at McKeel Academy of Technology. The meeting was called to order by Stephanie L. Campbell at 11:20 a.m. Committee members present were Taylor Caffey, Stephanie L. Campbell, and Seth McKeel. Michael Peeples arrived late. Also present were Alan Black, Julie Ehnle, Lauren Rexroad, Katy Wibert, as well as representatives from our audit firm BKHM, Nick Adams and Nancy DiSalvo.

➤ **Audit summary**

Nancy noted the reason for being past expected due date of the audit was because their office was out of power for about a week after Hurricane Irma.

Nick summarized the report for the committee

1. Last year didn't meet criteria for single audit; this year we did
2. No issues with compliance
3. Internal control
  - a. 2 findings, causing a material weakness to be noted on our audit
    - i. Finding #1 – Payroll Accruals. Teachers are paid on contract; not easy to input into a payroll processor's system. It is very easy to miss a period when calculating accrual. Per Julie, it is has been this way since 2013 when we changed the way teachers were paid – to being paid two weeks in arrears. The teacher contract year runs from August 1 – July 31, while the fiscal year runs from July 1 – June 30. Thus, their August 15 check each year since 2013 was reported in the wrong fiscal year; it should have been accrued in the June 30 fiscal year-end. We under-accrued for teachers for only one pay period, and due to the TSMA structure, 3 separate audits were being completed at that point. We have continued the exact same methodology, so each year's August 15 paycheck has been reported in the wrong fiscal year. (net difference in the current year is less than \$2,000) We had 24 pay periods per fiscal year and cash payments to teachers were correct, but it was recorded on the wrong year on the audit financial statements. It doesn't hit income statement, only balance sheet to correct the prior period...the initial period when the error was made but went undetected.
    - ii. Finding #2. PTO Accrual was recorded the same way for a long period of time. Financials recorded as continuing operations, but the accrual was calculated as what we would owe should we shut down. The adjustment proposed is to correct this methodology from a prior period.
  - b. This year's variance is insignificant; however, any time a prior period is adjusted, it is a finding. Both findings increase liability and hit equity on the balance sheet. No one was paid incorrectly.

4. Management Letter includes required documentation, including a reference to the material weakness finding.
5. Good news other than that
  - a. No difficulties with audit

➤ **Board Discussion**

1. Discussion on how to draft management response. Julie's drafted response reviewed and found to be fine, but make a specific note that employees were paid correctly.
2. Mr. Caffey asked why journal entries are included in the audit. Auditors' response was that they are in a separate, non-public document but definitely looked at each year. Julie reviewed and explained each adjustment to the committee.
3. Discussion on what to communicate to the board
  - a. Selections
  - b. Financial Statement
  - c. Finding – stress that it is not a cash issue

➤ **Response to Audit Update**

There were no disagreements with management.

➤ **Adjournment**

There being no further business, the meeting was adjourned at 11:48am.

**ATTEST:**

*Stephanie L. Campbell*

**Stephanie L. Campbell, Board Chair**

*Katy Wibert*

**Katy Wibert, Interim Secretary**