

# Minutes of Meeting

## Board Audit Committee

February 13, 2010

9:00 a.m.

East Side Union High School District Education Center  
Superintendent's Conference Room  
830 North Capitol Avenue, San Jose, CA 95133-1398

### 1. Call to Order/Roll Call

*The meeting was called to order at 9:03 a.m. by Chair Biehl. Present were Member Berg, Member Juchau, Member Neighbors and Alternative Member Resch. Vice Chair Nguyen arrived at 9:19 a.m.*

### 2. Introductions

*All persons present introduced themselves.*

### 3. Adopt Agenda

*Motion by Member Neighbors, second by Member Berg to adopt the agenda as presented with no changes.*

*Vote: 5/0*

### 4. Special Order of Business

*Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.*

### 5. Public Comments

*There were no comments from the public.*

### 6. Approval of Minutes

*This was the first meeting of the Audit Committee, and, therefore, were no minutes for approval.*

### 7. Information Item: Brief Review of Brown Act

*Information on the Ralph M. Brown Act was shared with the Committee.*

### 8. Discussion/Action: Presentation of the 2008/09 East Side Union High School District Audit - Ahmad Gharaibeh, External Auditor

*Ahmad Gharaibeh, Auditor from VTD, made a presentation of the 2008/2009 East Side Union High School District Audit. He reported that significant deficiencies were found in the reporting/accounting of ASB funds. He explained some of the sections in the report, such as:*

- *Page 13: Includes long-term assets and liabilities, such as OPEB.*
- *Page 15: Shows equity and fund balance*
- *Page 17: Revenues and expenses, such as revenue limit*
- *Page 25: Detailed components of financial statements*
- *Page 56: Schedule of expenditures of federal awards*

*Member Juchau asked, "How is the scope of audit determined?"*

*Mr. Gharaibeh indicated that it is determined by the district; it is a GAAP audit. At the beginning of the year, a planning is done to determine areas that will be tested. It is rotated every year. They meet with districts/auditors and notify them of which areas they would like them to put an emphasis on. They keep the district audit committees informed and meet with them three to four times a year. If things are not corrected, the Committee will be notified. VTD specializes in auditing school districts. The internal auditor places more emphasis on internal audits. They do not rely on what the auditor does; they do their own testing. He congratulated East Side for forming an Audit Committee.*

*Chair Biehl asked about ticket sales and what steps need to be taken relating to ticket sales when there are no receipts, tickets or logs. He also asked who is the person responsible for ticket sales at the schools.*

*Interim Superintendent Moser indicated that it is ultimately the Principal, but the Activities Director handles the function.*

*It was mentioned by a Member that CASBO offers training in this area. It was also mentioned that the money needs to be properly deposited in the bank and not held up and that there is no accountability on those who do not follow the process.*

*Chair Biehl asked if the District has policies on procedures set regarding site funds.*

*Interim Superintendent Moser indicated that just this past January a meeting was held with the Bank Clerks to review procedures and how funds are received and deposited. Their next meeting is set for March.*

*Mr. Gharaibeh indicated that there are ways to solve this issue, such as the training of ASB Clerks. On January 2009, a recommendation was issued. As a result, the Clerks were given eight hours training on accountability and steps were taken to correct the issue. Another training of Clerks to account for student body monies should be administered. This needs to be enforced by the Audit Committee and communicated to the Clerks that it needs to be done.*

*Interim Superintendent Moser indicated that part of the problem is that due to layoffs and bumping of staff, Clerks are rotated, which requires training of new Clerks.*

*Mr. Gharaibeh mentioned that some districts are centralizing study body funds. They are consolidating all cash into one bank account. The task should be moved to the District Office and stronger controls on student body funds should be imposed. The centralizing of student body funds is a solution, but will not fully solve the problem – only half, which is the disbursement issue.*

*Vice Chair Nguyen asked if there have been any improvements since the training.*

*Mr. Gharaibeh stated that some sites did pass and some did not pass. They will be testing next month. He is able to come back and meet with the Audit Committee to report the findings.*

*Director of Finance Poon mentioned that an ASB Procedures Manual is being developed. When it is completed, a copy will be shared with the Audit Committee.*

*Motion by Member Neighbors, second by Vice Chair Nguyen, to accept the East Side Union High School District Audit performed by VTD as presented.*

*Vote: 5/0*

## 9. Discussion/Action: FCMAT Report

*Chair Biehl shared with the Audit Committee the motion made at the February 9, 2010, Board Meeting regarding FCMAT's report on the Extraordinary Audit of East Side Union High School District.*

*Member Berg indicated that he read the report and it seems to him that there are pieces missing that have not been addressed. He asked about the proper forum to bring up his concerns on this issue. There have been Grand Jury reports on the credit cards. There are persons who owe thousands of dollars and have not paid back the money owed. If a credit card is being used inappropriately, the money should be paid back.*

*Chair Biehl asked about the number of District credit cards.*

*Interim Superintendent Moser stated that the District has two credits cards: Both are in Business Services – Purchasing and Associate Superintendent of Business Services.*

*Member Juchau stated that the FCMAT report indicated that there was not fraudulent use, but maybe some of the expenses may need to be paid back.*

*Chair Biehl stated that the Agreement with the former Superintendent indicated that no further claims would be made on this issue. We have no recourse to deal with this. Hanson Bridgett said it was a couple of thousand dollars.*

*Member Berg stated that he reviewed the records and found nothing fraudulent or illegal. He saw what the credit card was used for and it was the same reason that other Superintendents use it. He would have liked to have seen the documentation on this matter in a timely manner.*

*Chair Biehl asked if the new policy on reimbursements has been implemented.*

*Interim Superintendent stated that it has been implemented.*

*Chair Biehl would like to bring the new policy on reimbursements for discussion at the next meeting of the Audit Committee.*

*Member Berg indicated that accrual of vacation payout is not clear and that vacation is an accrued benefit.*

*Superintendent Moser indicated that there is a policy to encourage staff to take vacation. The administrators on contract have the ability to sell back their vacation. There is a form available to record the usage and selling back of vacation.*

## 10. Discussion/Action: Warrants Report Formatting

*Director of Finance Poon presented the Audit Committee a proposed warrant report format, including a Chart of Accounts.*

*Chair Biehl indicated that he likes the direction the Business Office is heading with the report. He asked if the purpose could be included in the report.*

*Director of Finance Poon will bring the report back to the Information Technology Programmer to see if the following changes could be made to the report format:*

- *Add column after vendor name to explain the purpose of the expense*
- *Sort by object code*
- *Sub sort by dollar amount*

*Chair Biehl asked Director of Finance Poon to bring back a sample of the revised report to the next Audit Committee Meeting.*

#### **11. Discussion/Action: Establish Meeting Schedule**

*The next meeting of the Audit Committee will be held on April 22, 2010, from 6:00 p.m. – 8:00 p.m. in the Superintendent's Conference Room.*

#### **12. Superintendent Communications/Comments**

- *Interim Superintendent, Dan Moser  
Interim Superintendent Moser is pleased with the proceedings.*

#### **13. Audit Committee Member Comments**

*Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.*

- *Member Bruce Berg  
Member Berg asked if the Committee has the ability to recess to Closed Session.*

*Chair Biehl indicated that Closed Session discussion items are very limited on the agenda.*

*Interim Superintendent Moser will consult with the District's Legal Counsel to obtain an opinion on this question and if Closed Session is applicable to the Audit Committee.*

- *Chair Frank Biehl  
Chair Biehl thanked those who worked on the Ad Hoc effort. He also thanked everyone for attending the meeting and Mary Guillen for getting things ready for the meeting.*

#### **14. Adjournment**

*On a motion by Member Neighbors, second by Vice Chair Nguyen, the meeting adjourned by Chair Biehl at 10:55 a.m.*

*Respectfully submitted,*

  
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*Board Audit Committee Member Chair*