

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

April 4, 2016

6:00 PM

East Side Union High School District
Education Center

Superintendent's Conference Room
830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

The meeting was called to order at 6:01 PM by Chair Pattie Cortese.

Committee members present for roll call:

Chair Cortese, Vice Chair Le, Member Berg, Member Juchau, Member Reinke, and Alternate Member Stephens

Staff present:

- *Chris Funk*
- *Marcus Battle*
- *Kelly Kwong*
- *Karen Poon*
- *Andre Bell*
- *John Lawrence*
- *Kathy Lanford*
- *Debbie Ramirez*
- *Mary Guillen*

Presenter present:

- *Joyce Peters, External Auditor – VTD*

Audience present:

- *Nick Leon*
- *Representatives from the Interact Club*

2. Introductions

Chair Cortese extended a welcome to current, reappointed and newly appointed members of the Audit Committee. Committee Members and members of the audience introduce themselves.

- *Board Member Pattie Cortese - Previously served as Vice Chair and is the newly appointed Chair*
- *Board Member Van Le - Newly appointed Vice Chair*
- *Bruce Berg - Reappointed Member*
- *Jon Reinke - Reappointed Member*
- *Frank Stephens - Reappointed Alternate Member*
- *Dan Juchau – Continuing Member*

3. Adopt Agenda

Motion by Member Berg, second by Member Le, to adopt the agenda as presented.

4. Special Order of Business

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

Item number 12 will be heard after item 8.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

There were no public speakers.

6. Approval of Minutes

Minutes from the December 7, 2015, meeting will be presented for approval.

Motion by Member Reinke, second by Member Berg, to approve the Board Audit Committee Minutes of December 7, 2015, as presented.

Vote: 4/0; motion carries

Vice Chair Van Le abstained from the vote

Chair / Vice Chair

7. Discussion/Action: Updates

Pattie Cortese, Chair, and Van Le, Vice Chair, will provide update.

There were no updates were presented under this item.

Senior Manager of Internal Controls

8. Discussion/Action: Cash Handling and Associated Student Body (ASB)

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that she conducted a pre-audit prior to the external audit by VTD. She will wait until VTD provides their results on the audit. No other comments were presented under this item.

9. Discussion/Action: Fraud, Waste and Abuse Hotline

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

Kelly Kwong reported that the system is still active. There have been no calls or emails received reporting fraud, waste and/or abuse.

Bruce Berg expressed his concern regarding Payroll's retroactive payments in the amount of "cents" to staff members.

10. Discussion/Action: Internal Audit Reports

Kelly Kwong, Senior Manager of Internal Controls, will present the internal audit reports.

Kelly Kwong presented the three reports to the Committee; they are operational focus. There are no plans to do follow up on the reports, as they are operational efficiency as opposed to fraud and/or material dollar items. Kelly will review and determine when these items will be placed back on the agenda for further discussion/updates.

Associate Superintendent Marcus Battle stated that the Business Office will review the reports and see what they can improve for operational efficiency.

Superintendent Chris Funk indicated that Superintendent's Council will review the reports and they will follow up on what has been done with them.

Chair Cortese asked Kelly Kwong to notify the Committee when is the appropriate time to bring the three reports back for further updates on the recommendations.

Comments on the three reports are listed below.

A. FY16-04 Accounts Payable Timeliness

Member John Reinke asked if there was an abuse on the over \$100 reimbursements.

Associate Superintendent Marcus Battle indicated that there is no abuse in this area. Site administration is doing a great job in the area of staff reimbursements. Reimbursements over \$100 require site administrative approval and his review/approval.

B. FY16-05 Facility Work Orders

Alternate Member Frank Stephens asked if there is the ability to do a root cause analysis on repair items.

Andre Bell indicated that once they consolidate and get the sites to use the same type of equipment, it will be easier to recognize the failure and root cause in specific equipment.

Kathy Lanford made a presentation on the new work orders system. Many departments currently use it. Custodial/maintenance staff have the ability to view work orders via their cell phone. Kathy and John will work with staff to ensure they have the proper protocol regarding the work order process, follow up on outstanding orders, including status/communication regarding the work order.

C. FY16-06 Synthetic Turf Maintenance

Member Juchau expressed his concern regarding the synthetic turf maintenance.

Superintendent Funk stated that there is a timeline and plan in place to ensure the maintenance of the fields.

John Lawrence mentioned that field turf maintenance occurs annually at the sites. Guidelines have been set up, which includes the collection of field turf maintenance reports from the sites. The five new field turfs that were done in 2012 all have new machines. As for the other six sites (fields), the District will need to look at new

machines for those sites. They are getting down to their life cycle; they are eleven to twelve years old.

Superintendent Funk indicated that although the field turf is maintained yearly, there is standard maintenance that must still occur at the sites. They need to identify when and how often it should occur at the sites and timelines for each site so that it can be monitored at the District Office. A plan will be shared with the Committee at a later date.

External Auditor

11. Discussion/Action: Annual Audit 2015-16

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the 2015-16 engagement letters and the scope of work to be performed for the annual financial audit and the bond audit reports. Also, the results from the recent school site testing will be provided.

Joyce Peters, External Auditor, discussed three areas:

Review of engagement letter: *The wording in the letter is standard wording. It speaks of VTD's responsibility and District management's responsibility. The language in the letter is the same as last year's letter. The standard accounting language has no change; therefore, there is no change in the wording. There are two engagement letters, 11A and 11B. One is for the bond, the other for the District.*

Site visit results: *During the interim, a review is performed both at the site and the District. The District visit has not occurred, but four sites were chosen and audited in the area of attendance and ASB, Independence, Piedmont Hills, Foothill and Phoenix High Schools.*

Piedmont Hills High School did not have any exceptions in the area of attendance, but exceptions were found in the area of ASB, specifically fundraising. The revenue potential is completed, but the document does not list any overages or shortages. The student store was audited. The daily sales report was not prepared, which is the reason why the site did not reconcile an overage or shortage in their report. This was communicated to the District who then indicated they did not prepare a perpetual inventory.

Independence High School was audited in the area of fundraising. Five revenue potentials of fundraising were selected. All the forms were no completely/properly filled out. They were unable to trace the fundraising amounts to the general ledger. Three out of five samples selected had overages and shortages that were not reported/documented.

Independence High School did not reconcile properly their petty cash. They had an overage of \$50.

Foothill and Phoenix High Schools had no exceptions.

Kelly Kwong stated that she works closely with the School-Finance Clerk. She attends the meetings of Activities Directors that is combined with leadership students; they meet monthly. This is an area that they are focusing on, as well as providing training to staff and students.

Superintendent / Associate Superintendent of Business Services

12. Discussion/Action: ASB Fundraising for Outside Organizations

Marcus Battle, Associate Superintendent of Business Services, and Karen Poon, Director of Finance, will present Administrative Bulletin No. 012 on ASB Fundraising for Outside Organizations.

A draft of Administrative Bulletin # 012 was shared with the Committee for their input.

A question was raised on the number of Board Members to approve public donations. Kelly Kwong explained that donations are on the consent calendar and placed on the monthly Board calendar for approval by the Board. Superintendent Funk explained that donations, if already received, are submitted to the Board for ratification. It was also explained that administrative bulletins are instructions to staff. Board Policies are instructions to administration.

A member of the public, Nick Leon, explained to the Committee that the Interact Club is similar to an associated student body (ASB) that is on campus. They are a very active club. They put on events at their site. Sometimes, Interact Clubs from three to four school sites get together to put on an event to raise funds for their project. With the previous bulletin, the funds were marked as ASB funds. Based on the previous conversation, he thought that the intent was to make the process easier for the Interact Club; they put on the event and identify where the fundraising dollars are to be allocated, which is not an outside organization, but a specific Interact project. His interpretation of the bulletin is that a request needs to be submitted and approval must be granted for the project, form of payment must be in by check and money cannot be collected at the door. The money collected would go into a school account and must be depleted in 60 days. He felt it was a little cumbersome.

Superintendent Funk explained that all events must be preapproved. After the event, the money collected is deposited into an account. A check is then issued to Rotary and that account is closed. If there is another approved event a few months later, the money goes into the account and a check is issued to Rotary. These funds are not comingled with ASB funds.

Karen Poon, Director of Finance, explained that it is highly encouraged that checks be made payable to the 501C3 organization, not the ASB account. Checks payable to ASB become ASB funds, not the 501C3, which does not allow the donor to claim the donation on his/her taxes return. Only cash and checks issued to ASB are deposited into an ASB bank account. Checks payable to an outside organization cannot be deposited into an ASB account. The trust account is only for cash deposits, including checks made payable to ASB. Checks made payable to Interact 5170 goes directly to Rotary for deposit.

Superintendent Chris Funk indicated that when the administrative bulletin is formally approved, it will be placed on the intranet for staff to access. It will be emailed to Activities Directors and School-Finance Clerks to share/disseminate the information to all club advisors and clubs.

13. Discussion/Action: Facility Use

Marcus Battle, Associate Superintendent of Business Services, Andre Bell, Director of Purchasing and Capital Accounting, and Debbie Ramirez, Facility Rental Manager, will provide a demonstration and usage analysis of Facilitron, an on-line facility reservation system. Also, a progress update on the recommendations from the Facilities Use Audit Report FY16-01 will be provided.

Associate Superintendent Marcus Battle shared with the Committee that the District's new facilities online system has received great compliments. The work of the sites is much easier. It is a fully automated online rental system.

Debbie Ramirez, Facilities Rental Managers, shared with the Committee that the system has an online calendar that is transparent and open to the public, prices are in the system, and the system is user friendly to its customers. The system allows them to view the availability of a room and it also gives them a rental cost estimate. This is a huge step in the process; it has reduced the rental response wait time. A person can process a claim in two to three days. It is a paperless system. Everything is stored online. The support to use Facilitron has been excellent.

Director Andre Bell mentioned that the District has implemented five out of the six recommendations on the report. The last one is currently pending; it is an amendment to

Board Policy and procedures relative to facilities use. A demonstration/presentation on the Facilitron features was made to the Committee.

Facilitron is paid per a transaction fee that is paid by the user. It is capped at a hundred dollars per a transaction. It is on top of the rental fee.

14. Discussion/Action: Bond Performance Audit

Marcus Battle, Associate Superintendent of Business Services, Andre Bell, Director of Purchasing and Capital Accounting, Julio Lucas, District Architect, will present an update on the progress of the recommendations from the Bond Performance Audit performed by Moss Adams, LLP.

Director Andre Bell provided the Committee with an update on the Bond performance audit. The audit was presented to the Board in January 2016. There were a total of 13 recommendations. Two of the recommendations have already been implemented. Nine are in process. One is under review. One has no action. When the Committee returns to meet in August, most of the recommendations will have been completed.

After some discussion regarding prequalified vendors, Chair Cortese requested a list of prequalified vendors and, out of that list, how many are minority owned and how many are women owned?

15. Discussion/Action: Fixed Asset Audit

Marcus Battle, Associate Superintendent of Business Services, and Andre Bell, Director of Purchasing and Capital Accounting, will present a progress update on the recommendations from the Fixed Asset Audit performed by CPRS Fixed Asset and Inventory Solutions.

Director Andre Bell provided an update on the recommendations from the fixed asset audit. The report was presented at the August meeting. After a discussion with the Information Technology administrator, the purchase of the RFP for fixed assets management system was delayed. The District is going to wait until the District looks for a new financial system. The fixed asset system will be part of the new financial interface system. The District is still on track with asset tagging and asset removal from the QSS system.

Audit Committee Business

16. Discussion/Action: Audit Committee Charter

The finalized revised Audit Committee Charter was approved at the December 10, 2015 Board meeting.

The amendments to the Audit Committee Charter were adopted by the Board of Trustees at their December 2016 Board Meeting.

17. Discussion/Action Future Meetings

Audit Committee has scheduled the next meeting for 6pm on August 23, 2016.

Chair Cortese reminded the Committee of the next scheduled Audit Committee meeting, August 23, 2016, at 6:00 PM.

18. Superintendent Communications/Comments

- Chris D. Funk, Superintendent
- Marcus Battle, Associate Superintendent of Business Services

Marcus Battle announced that the payroll/human resources audit was recently completed. It will be presented to the Committee in August.

19. Audit Committee Member Comments

Individual 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.

There were no comments by the Committee.

20. Future Agenda Items

The following items were requested for placement on a future agenda:

Item	Date	Submitted By
<i>List of Prequalified Vendors, to include how many are minority owned and how many are women owned</i>	<i>TBD</i>	<i>Chair</i>
<i>Payroll / Human Resources Audit</i>	<i>August 2016</i>	<i>Marcus Battle</i>

Calendared from prior meetings:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Chair</i>

21. Adjournment

Chair Cortese adjourned the meeting at 8:08 PM.

Respectfully submitted,



*Pattie Cortese
Board Audit Committee Chair*