

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

March 27, 2018

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

Chair Frank Biehl called the meeting to order at 6:09 PM.

Committee members present for roll call:

- *Chair Frank Biehl*
- *Member Bruce Berg*
- *Member DanJuchau*
- *Member Jon Reinke*
- *Alternate Rajesh Godbole*

Vice Chair Lan Nguyen was absent.

Staff present:

- *Kelly Kwong*
- *Silvia Pelayo*
- *Janice Unger*
- *Julio Lucas*
- *Sandy Nguyen*
- *Cathy Nguyen*
- *Mary Guillen*

Presenters present:

- *Vern Weber, Total School Solutions*
- *Joyce Peters, External Auditor – VTD*

2. Introductions

A welcome is extended to the current, reappointed and newly appointed members of the Audit Committee

- **Board Member Frank Biehl – Newly Appointed Chair, term to December 2018**
- **Board Member Lan Nguyen – Reappointed Vice Chair, term to December 2018**
- **Bruce Berg – Reappointed Member, term to January 2019**
- **Dan Juchau – Continuing Member, term to January 2019**
- **Jon Reinke – Reappointed Member, term to January 2020**
- **Rajesh Godbole – Newly Appointed Alternate Member, term to January 2019**

Chair Biehl extended a welcome to members of the Audit Committee and audience. Each Committee Member and members of the audience introduced themselves.

3. Adopt Agenda

There were no changes to the agenda.

4. Special Order of Business

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

There was no special order of business.

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 5, 2017, meeting will be presented for approval.

Motion by Member Berg, second by Member Juchau, to approve the Board Audit Committee Minutes December 5, 2017, as presented.

Vote: 5/0; motion carries

Chair / Vice Chair

7. Discussion/Action: Updates

Frank Biehl, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

Chair Biehl shared with the Committee that he and Vice Chair Nguyen have been updated by Kelly Kwong on the work of the Audit Committee. There were no other items to report.

External Auditor

8. Discussion/Action: Annual Audit 2017-18

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the:

- A. 2017-18 engagement letter
- B. Results from the February 2018 school sites testing will be provided.

The 2017-18 engagement letter and summary of findings was shared with the Committee. In the summary, it was noted that items in red indicate deficiencies of control. Text in blue indicates that there are no deficiencies in the audited area. A visit was made to six school sites. The attendance audit was very clean. A few of the six sites were selected for an ASB audit. The most common ASB audit deficiency was separation of duties. The whole ASB as compared to the entire financials of the District is not material. These findings are not warranted for placement in the audit findings. The viewing of accounting information online helps to provide more awareness and transparency.

Chair Biehl requested that Julie Kasberger, Director of Child Nutrition Services, be invited to a future meeting to discuss the success and challenges of implementing POS terminals.

Superintendent / Associate Superintendent of Business Services

9. Discussion/Action: Bond Performance Audit

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, Sandy Nguyen, Capital Budget Manager, and Tahir Ahad, President, Total School Solutions, Vern Weber, Senior Consultant-Planning Management, will present the Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

Vern Weber, Senior Consultant-Planning Management for Total School Solutions, recently made a presentation to the ESUHSD Board of Trustees and will be providing the same presentation to the Audit Committee.

Total School Solutions did the performance audit on the 2015-16 and 2016-17 fiscal years. Moss Adams did the performance audit two years prior to those audits. Prior to that, Total School Solutions (TSS) also performed a prior bond performance audit.

Tremendous progress has been observed from the time of the earlier performance audit to the current audit. The Moss Adams report summary can be found in Appendix C of the TSS report, as well as TSS observations of the implementation of their recommendations, which were fully implemented. There were no outstanding issues uncovered in the TSS audit; no findings.

TSS looks not just at financial compliance, but all of the other compliances that go into a bond program, as well as evaluate the efficiency, effectiveness, and economy aspect of the study. A number of commendations, observations, conclusions and recommendations were presented in the report. It was recommended that the District look into purchasing a comprehensive construction management software program. Everything was in code compliance. The bond program outreach efforts are very effective.

10. Discussion/Action: Bond Performance Audit Recommendations Remediation Update

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, and Sandy Nguyen, Capital Budget Manager, will provide an update on the status of the remediation of the audit recommendations from Total School Solutions Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

There are eight recommendations listed in the matrix. Each recommendation has an assigned responsible party/parties. Once an item is implemented, the box in the matrix will be checked. Many of the recommendations are in progress or under review. Anticipated completion dates are listed in the matrix.

A progress report will be provided at the next meeting.

11. Discussion/Action: Employee Car Allowance and Mileage Reimbursement – Final Remediation

Silvia Pelayo, Director of Finance, will report on the final resolution of the Employee Car Allowance and Mileage Reimbursement Audit Report FY17-07 dated September 13, 2017, originally presented to the Audit Committee on September 12, 2017 as a draft and final to the Board on September 19, 2017.

The District will be paying by March 30 four identified employees a car allowance through the payroll process. It is an inequity that was discovered and will be corrected and retroactively paid to the four employees. The District is also reviewing a way to prevent this from happening again. One way will be an annual position control review between Human Resources and the Payroll Office. It was also indicated that a manual monthly review may be necessary until they are able to go to an automated tracking system.

Senior Manager of Internal Controls

12. 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 site trainings will continue. There are three new hires. Kelly periodically reviews the equity given the feedback received from VTD. She meets with the sites on their specific findings.

13. 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.

Since the last meeting, two calls have been received. Both calls were personnel-related matters and provided to Human Resources for investigation.

Audit Committee Business

14. Discussion/Action: Future Meetings

Audit Committee to schedule the next meeting.

Future Board Audit Committee meetings have been scheduled for September 11, 2018, and December 11, 2018. Both meetings will begin at 6:00 PM in the ESUHSD Superintendent's Conference Room.

15. Superintendent/Associate Superintendent/Director Communications/Comments

- Silvia Pelayo, Director of Finance

The RFP for the new financial/human resources system will be released by April 2, 2018. Proposals will be due April 30. In May, the analysis and demonstrations of the proposals, including the system selection, will occur. In June 2018, a recommendation will be presented to the Board for their consideration and approval. A parallel systems run will occur for six months and then going live July 2019.

16. 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 made under this item.

17. Future Agenda Items

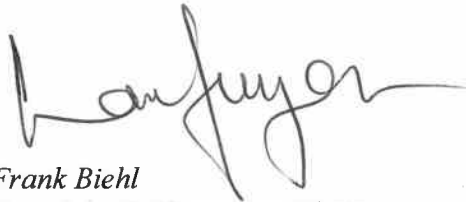
Recurring calendar item:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>

18. Adjournment

Chair Biehl adjourned the meeting at 7:22 PM.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Frank Biehl", written in a cursive style.

*Frank Biehl
Board Audit Committee Chair*