

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

September 5, 2013

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 Nguyen called the meeting to order at 6:04 p.m. Present were Member Juchau and Member Reinke. Vice Chair Carrasco and Member Berg were absent.

Staff members in attendance were:

- *Marcus Battle*
- *Karen Poon*
- *Kelly Kwong*

Presenter:

- *Joyce Peters, External Auditor - VTD*

2. Introductions

Persons present at the meeting 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.

None

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.

None

6. Approval of Minutes

Action: Minutes from the June 6, 2013, meeting will be presented for approval.

Motion by Member Juchau, second by Member Reinke, to approve the minutes as presented.

Vote: 3/0, Vice Chair Carrasco absent; Member Berg absent

Chair / Vice Chair

7. Discussion/Action: Updates - Chair Nguyen and Vice Chair Carrasco

At the August 2013 Board meeting, a presentation was made regarding the Board's authorization, which was previously approved June 2013, for Dale Scott of Dale Scott & Company to look at the refunding of the 2002 Measure D bond series as a series of Measure E bonds. As a result of the approval, Dale Scott & Company worked with De La Rosa & Company to save taxpayers a total \$7.7 million. The savings totaled to over 5.5% savings over the life of the funds.

Also, the District is installing updated security cameras on school campuses. The Board approved a budget of \$1 million for this project in order to ensure security and campus safety. A consultant will be hired to assess all security cameras.

Senior Manager of Internal Controls

8. Discussion/Action: Status on Senior Manager of Internal Controls' Work Plan and Findings

Kelly Kwong, Senior Manager of Internal Controls, provided the Committee an update on the top five items on her Work Plan:

Associated Student Body (ASB) Funds

Kelly Kwong and Karen Poon co-hosted a workshop for the School-Finance Clerks. The workshop was well received with an attendance of 100% of the Clerks. The Clerks have requested another training, which is targeted to occur this month --September 2013. Additional outreach will be performed in order to train more site staff.

Kelly has completed her first school site ASB audit. The audit is not yet final. The audit findings were provided to the site and they are working on correcting the findings. Staff at the site were very receptive; there was awareness and training to the compliance. There was no fraud reported in the findings.

Kelly is starting her second school site ASB audit. When this audit has been finalized, Kelly will report to the Committee on her findings.

Lease/Use of Facilities

An analysis has been started on the data analytics. Kelly has just begun the review of contracts of a school site.

Bond Programs

Kelly recently attended a Citizens' Bond Oversight Committee Meeting.

Expenditure (Expense) Reports

Kelly will be waiting until the end of the year to present the report as a fiscal year end report.

Purchase/Credit Cards

Kelly will be waiting until the end of the year to present the report as a fiscal year end report.

Other

Kelly receives support requests from management.

9. Discussion/Action: Cash Handling and ASB Debit Balances

Kelly Kwong, Senior Manager of Internal Controls, may present findings and recommendations for action related to cash handling and ASB debit balances at school sites.

Through Kelly's risk assessment, many of the School-Finance Clerks inherited debit ASB balances. Staff are aware of this and are managing it in order to keep in compliance from a budget perspective. From the cash level, ASB is generally heavy in cash. FCMAT guidelines indicate that the funds should be spent the same year the students are there. Administration was reminded that they need to obtain permission to carryover 20% of their revenue. Options to make ASB debit balances more transparent, such as in the form of a hard copy, electronic version or online access, with the school sites is currently under discussion. At the next School-Finance Clerks meeting, a discussion will be held regarding how often key persons who deal with ASB balances should meet per year. This will help to establish a best practices recommendation, which will be discussed at a future meeting of the Audit Committee.

10. 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, which was approved at the August 30, 2011, Board meeting.

The vendor, formally called Ethics Point, has now been acquired by Navex Global with a contract services agreement to September 2014. Associate Superintendent Battle will be putting in his October newsletter a short article reminding the public that the Fraud, Waste and Abuse Hotline is available for filing anonymous reports.

External Auditor

11. Discussion/Action: Student Records Retention - Joyce Peters, External Auditor, will provide an audit update to the Committee.

Joyce Peters, External Auditor from Vavrinek, Trine, Day & Company, LLP, shared with the Committee that the District's internal controls has been audited and was found to have no exceptions. The State compliance audit also had no exceptions.

There is one item that is still pending, the SARC Report. This year, three sites were selected for the SARC Report audit, Andrew Hill, Oak Grove and Santa Teresa High Schools. One site, Andrew Hill, was tested and found no exceptions. At the time of the audit, Oak Grove and Santa Teresa High Schools were not able to produce the requested back up to the Williams compliance reports. VTD will follow up with Oak Grove and Santa Teresa for another site visit during the final audit phase. Karen Poon will follow up with Assistant Director John Lawrence regarding the missing facilities/ maintenance-related reports.

During payroll testing, it was noticed that there is a concern regarding the segregation of duties. There is an individual working in the Payroll and Human Resources Department. There needs to be a segregation of duties between the departments. Associate Superintendent Battle will look into the issue and make sure that segregation of duties still exists. The item will be placed on the agenda for discussion/report at the next meeting.

These are the only findings; the rest of the audit was clean. The final audit will be in October. At that time, internal controls will not be looked at, but what will be looked at are the financial statements. The draft report will be available in December.

The Audit Committee indicated that preliminary audit finding(s) are presented to the Audit Committee for discussion. The Superintendent will then take action to have the findings corrected. He will also have a plan in place to address the finding(s) in advance of the January Board meeting where the audit will be presented to the Board of Trustees.

Superintendent / Associate Superintendent of Business Services

- 12. Bond Performance Audit** - Associate Superintendent Battle will present information on the Bond performance audit.

Associate Superintendent Battle shared with the Committee that there is a performance audit being made on the Bond Program. The audit findings will be presented to the Board of Trustees at their September Board Meeting.

- 13. Discussion/Action: Student Records Retention Draft Policy and Administrative Regulation** - Associate Superintendent Battle will bring back the draft Board Policy and Administrative Regulation for further discussion by the Committee.

At the last meeting, language regarding a plan for disaster preparedness was discussed. It was indicated that the Board Policy (page 1) addresses the area of disaster preparedness (recovery of records in the event of a disaster or emergency) by having a document management system in place.

Another issue raised at the last meeting was the handling of expulsion records. Language was added to Administrative Regulation #3580 that addresses these records.

- 14. Discussion/Action: Equipment Loss/Replacement Board Policy and Administrative Regulation** - Associate Superintendent Battle will bring back the draft Board Policy and Administrative Regulation for further discussion by the Committee.

Item was provided as a second reading to the Committee for their review.

Audit Committee Business

- 15. Discussion/Action Future Meetings**

Under this item the Audit Committee may schedule future meeting dates and times.

The next Audit Committee Meeting will be held on December 11, 2013, at 6 PM in the Superintendent's Conference Room of the East Side Union High School District.

Items for future discussion:

- *Recurring items on the agenda*
- *School Connected Organizations: Best Practices/Guidelines associated in working with School Connected Organizations (better understanding of how the District manages school connected organizations), Policies in Place – Kelly Kwong*
- *Best Practices: Cash Handling and ASB Debit Balances*

- 16. Superintendent Communications/Comments**

- Superintendent Chris D. Funk (*absent*)
- Associate Superintendent of Business Services Marcus Battle

Marcus Battle reported on the copier procurement. The District selected Ricoh USA. The sites and District Office will be removing all their old copiers and replacing them with a fleet of brand new copiers to be placed at all school sites and District Office. The district will have a savings of \$45,000 a year.

A benefits audit was just concluded. As of September 1, a total of 132 ineligible dependents were dropped from the District's health plans. This information will be presented to the Board at their September Board Meeting, along with the savings to the District as a result of dropping the ineligible dependents.

17. 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.

None

18. Adjournment

Chair Nguyen adjourned the meeting at 7:19 p.m.

Respectfully submitted,



Lan Nguyen, Board Audit Committee Chair