

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

August 27, 2014

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 6:04 PM by Chair Carrasco.

Committee present:

Chair Carrasco, Vice Chair Biehl, Member Berg, Member Juchau, Member Reinke, and alternate Member Phan.

Staff present:

- *Chris Funk*
- *Marcus Battle*
- *Kelly Kwong*
- *Karen Poon*
- *Linda da Silva*
- *Andre Bell*
- *Mary Guillen*

Presenter present:

- *Joyce Peters, External Auditor - VTD*

2. **Introductions**

Chair Carrasco welcomed the Committee to the meeting. Each person present at the meeting introduced him/herself at the meeting.

3. **Adopt Agenda**

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

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.

Kelly Kwong requested that item #11 be heard after #14.

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

Action: Minutes from the March 12, 2014, meeting will be presented for approval.

Motion by Member Juchau, second by Vice Chair Biehl, to approve the Board Audit Committee Minutes of March 12, 2014.

Vote: 5/0

Chair / Vice Chair

7. Discussion/Action: Updates - Magdalena Carrasco, Chair, and Frank Biehl, Vice Chair

No updates were presented under this item.

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 items on her Work Plan and findings.

ASB training and development (key focus)

Training continues with the School Finance Clerks. They meet on monthly basis. Phase two of the training included coaches, advisors and students. It was well received.

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

Kelly Kwong, Senior Manager of Internal Controls, will provide a draft of the new Administrative Bulletin on ASB Physical Inventory.

A draft Administrative Bulletin was shared with the Committee. It is intended as guide for performing physical inventory. The draft was presented to the School Finance Clerks. The process was piloted at four schools. As a result of the pilot, changes were made to the draft in order for the Bulletin to effectively work for a wider audience. The draft was presented to Superintendent's Council and is now being presented to the Audit Committee for input. It will be presented to Cabinet at their next meeting.

Member Berg asked that CSEA be approached to make sure that process is not a transfer of duties.

Motion by Vice Chair Biehl to approve the draft Administrative Bulletin as presented and that the Bulletin be brought back in a year for further review. It will be implemented within the framework/context of the current collective bargaining agreements between the District and the Associations (CSEA, ESTA, & AFT).

Vote: 5/0

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.

There have been no reports of fraud, waste or abuse to-date. The system has been tested is and is active.

11. Discussion/Action: Authorized Signature Matrix

Kelly Kwong, Senior Manager of Internal Controls, will present an authorized signers matrix.

Kelly shared with the Committee an authorized signers matrix, which details who has authority to sign specific items, including the procedural steps and to the order of required signers. The matrix also identifies who has capital and non-capital signer authority, as well

as who has delegation of authority. It is aligned with the Board approved signature authority resolution.

The District is good checks and balances in place. There are always two signers.

Vice Chair Biehl suggested that the next time the Board has to adopt a signature authority resolution, that the matrix be attached to the resolution.

External Auditor

- 12. Discussion/Action: Update by External Auditor regarding the Annual Audit 2013-2014**
Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present an update.

External Auditor Joyce Peters shared the following:

ASB School Inventory

Kelly Kwong has addressed this item by developing a procedural bulletin on ASB physical inventory.

Attendance Accounting

The issue is that attendance was not being taken by some of the teachers. A visit was made over the summer and it was determined that the issue has been corrected. The sites responded quickly and corrected the issue.

SARC Reports

Decile 1, 2, 3 schools require a third party to issue a report on behalf of the Santa Clara County Office of Education. The Facilities Inspection Report (FIT) for decile 1, 2, 3 schools was not the same as the County's third party report. The District was using its own report. VTD asked CDE which form has precedence; they were unable to confirm and directed VTD to obtain an opinion from District's Legal Counsel as to which report has precedence.

Member Biehl asked for report on what was done regarding this issue; who has responsibility for this issue and what is the outcome, including which report has precedence.

Superintendent / Associate Superintendent of Business Services

13. Discussion/Action: Bond Performance Audit

Marcus Battle, Associate Superintendent of Business Services, and Andre Bell, Assistant Director of Capital Accounting, will present a status update on action items and responses to the recommendations from the Bond Performance Audit by Total School Solutions issued September 2013.

Associate Superintendent indicated that the audit performed by Total School Solutions had a total of 32 recommendations. They have been working diligently to address each of the recommendations. A total of 30 recommendations have been implemented, with the exception of 2 that require no action.

Assistant Director Bell discussed the actions taken on the 13 outstanding recommendations.

Five of the recommendations were implemented based upon the new capital financial reporting system. Financial information is accurately reported on the Bond Program. Two had to do with the master schedule, one with an administrative posting, and two with the capital construction manual, which is being completed and revised. There were two that had to do with change orders, which is on the agenda for discussion. Necessary steps have been taken with the change orders. The other is the owner allowance, which has been approved by the Board.

As for Capital Accounting Department, which was approved by the Board last year, there are three staff members in the department. A financial accounting system was found that takes all the data from the conception of the Bond Program and puts it into a system where it accounts for all expenditures. The system is functional and not labor intensive. Once a month, data from our current financial system is downloaded and sent to California Financial System for direct uploading into their system, which is uploaded within a week. It is a robust and outstanding system.

14. Discussion/Action: Contract Change Order

Linda da Silva, Director of Construction, Maintenance and Facilities, and Andre Bell, Assistant Director of Capital Accounting, will provide an update on the Board Policy 3312.1 Contract Change Orders, Board adopted May 15, 2014, related to contracts for Professional Services, Bond/Capital Projects and modifications to purchase orders. This is a follow-up to the Audit Committee recommendations adopted under item #15 at the March 12, 2014, meeting.

Director da Silva updated the Board on Board Policy #3312.1 Contract Change Orders. It was presented for first reading to the Board at their April, 2014, Board Meeting. It was then presented to the Board in May, 2014, for second reading and adoption. A copy of adopted Board Policy #3312.1 Contract Change Orders was shared with the Audit Committee.

It was also mentioned that the delegation of authority has helped to not cause delays with projects. Anything that exceeds the limit goes to the Board for approval.

15. Discussion/Action: Coaches Code of Conduct

Marcus Battle, Associate Superintendent of Business Services, will provide a summary of the new procedures for athletic coaches regarding code of conduct sign off.

Associate Superintendent Battle shared with the Committee a copy of Human Resources' code of conduct for athletic coaches. The code of conduct information was taken from California Interscholastic Federation (CIF) guidelines. As part of the hiring process, Human Resources provides the document to all coaches to read and sign that they understand and will adhere to the guidelines as set forth in the code of conduct.

Audit Committee Business

16. Discussion/Action Future Meetings

Audit Committee will schedule the next meeting dates and time.

The next meeting will be held on December 2, 2014, at 6 PM in Superintendent's/Board's Conference Room of the East Side Union High School District.

17. Superintendent Communications/Comments

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

No item(s) to report under this section

18. 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.

No items reported under this section

19. Future Agenda Items

Report on copiers – cost savings (Spring 2015)

20. Adjournment

Chair Carrasco adjourned the meeting at 7:39 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Magdalena Carrasco', with a long horizontal line extending to the right.

Magdalena Carrasco, Board Audit Committee Chair