

AGENDA
Board Audit Committee
9:00 AM
November 19, 2011
Superintendent's Conference Room
East Side Union High School District Education Center
830 North Capitol Avenue
San Jose, CA 95133-1398

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meeting of the Audit Committee, please contact the office of the District Superintendent at (408) 347-5011. Notification 72 hours prior to the Regular Meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.

1. **Call to Order/Roll Call**

2. **Introductions**

3. **Adopt Agenda**

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**

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 .3) preclude any action. As an unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Committee may instruct the Chair to agendize the item for a future meeting.

6. **Approval of Minutes**

Action: Minutes from the September 10, 2011, meeting will be presented for approval.

Internal Auditor Work Plan

7. **Discussion/Action: FCMAT Report: Update the status of all actions taken in response to the FCMAT Report recommendations**

Ian Marsh, Internal Auditor, will review all actions taken by the Board and the Administration in response to the recommendations included in the FCMAT Report. He will provide the Committee with a copy of the district's conflict of interest form.

8. **Discussion/Action: Facilities Development Measure G & E General Obligation Bond Funds**

Ian Marsh, Internal Auditor, may present findings and recommendations for action related to policies and administrative regulations for the Measure G & E General Bond Obligation Funds.

9. **Discussion/Action: Attendance Reporting**

Ian Marsh, Internal Auditor, may present findings and recommendations for action related to policies and administrative regulations for attendance reporting at school sites.

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

Ian Marsh, Internal Auditor, will report on the implementation of a Fraud, Waste and Abuse Hotline as approved at the August 30, 2011, Board meeting.

11. Discussion/Action: Other items and possible additions to Internal Auditor's work plan

Ian Marsh, Internal Auditor, will report on any other items that he is investigating and present recommendations for additions to the Internal Auditor's work plan. Members of the Audit Committee or the public may also make suggestions at this time. Possible additions to the Internal Auditor's work plan include a review of the district's records retention policies and related administrative regulations.

External Audit

12. Discussion/Action: 2009/10 East Side Union High School District Audit

Ahmad Gharaibeh, External Auditor, will report on the status of the 2009/10 external audit.

13. Discussion/Action: Leasing of Facilities

Ahmad Gharaibeh, External Auditor, will report on the improper reporting of facilities leasing revenues.

District Administration/Superintendent

14. Discussion/Action: Carnival policies and related issues

Dan Moser, Superintendent, will report on the status recommended policy and administrative regulation modifications related to "Carnivals" and similar activities on school sites.

15. Discussion/Action: School Site Cash Handling

Dan Moser, Superintendent, will present a recommended administrative regulation for the handling of cash at school sites.

16. Discussion/Action: Legal Expenditures

Dan Moser, Superintendent, will present a recommended administrative regulation related to authorization of legal expenditures.

17. Discussion/Action: Status of Special Education IEP's

Dan Moser, Superintendent, will report on the status of the District's efforts to comply with Individual Education Plan (IEP) requirements for Special Education students.

Audit Committee Business

18. Discussion/Action: Annual Review of Audit Committee Charter

Chair Frank Biehl will report on the actions the Board took in response to the recommended changes to the Audit Committee Charter.

19. Discussion/Audit Committee member appointment process

Chair Frank Biehl will review the process for appointing members of the Audit Committee

20. Discussion/Action Future Meetings

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

21. Superintendent Communications/Comments

- Superintendent Dan Moser
- Associate Superintendent of Business Services, Marcus Battle

22. **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.

23. **Adjournment**

FEB 09/14/11

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Item 6

Unapproved

Board Audit Committee

September 10, 2011

9:00 a.m.

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 by Chair Frank Biehl at 9:01 a.m. Present were Vice Chair Martinez-Roach, Member Berg, Member Neighbors, Member Juchau, and Alternate Member Gonzalez.

Staff members in attendance were:

- *Dan Moser*
- *Ian Marsh*
- *Mary Guillen*
- *Karen Poon*

Presenters:

- *Ian Marsh, Internal Auditor*
- *Ahmad Gharaibeh, External Auditor*

Members of the public in attendance were:

- *Jon Reinke*
- *Bill Masching*

2. Introductions

Persons present at the meeting introduced themselves.

3. Adopt Agenda

Motion by Member Neighbors, 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.

Item 19 was moved out of order and to be heard first on the agenda, prior to item 5.

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 .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.

- *Jon Reinke – New Officers Appointed to CBOC Committee –
Chairperson Cecil Lawson*

6. Approval of Minutes

Action: Minutes from the June 11, 2011, meeting will be presented for approval.

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

Vote: 5/0

Internal Auditor Work Plan

7. Discussion/Action: FCMAT Report: Update the Status of All Actions taken in Response to the FCMAT Report Recommendations

Ian Marsh, Internal Auditor, will review all actions taken by the Board and the Administration in response to the recommendations included in the FCMAT Report

Internal Auditor Marsh shared with the Committee comments from the Associate Superintendent of Business Services and the Fiscal Services Representative, both from the Santa Clara County Office of Education. The topic of “fiscal independence” came up in conversation. The County Office is looking at the process used when East Side was first granted fiscal independence. Alum Rock, San Jose and Fremont are fiscally independent districts. The State created a new category, “fiscally accountable,” which means the status can be revoked at any time.

External Auditor Gharaibeh stated that there are seven fiscally independent districts in the County of Santa Clara. He also indicated that there are different levels of fiscally accountable. It was also mentioned that the County Office may be interested in reviewing warrants to review the payments/funding.

Karen Poon mentioned that, last year, the Santa Clara County Office of Education was granted QSS access to view the District's financial data.

External Auditor Gharaibeh indicated that the County Office is probably looking at back-up information.

Internal Auditor Marsh stated that there has been an ongoing issue with receiving the Conflict of Interest Statement back from contractors. The County Office would like to know how many Conflict of Interest Statements are on file at East Side District.

Chair Biehl requested that a copy of the Conflict of Interest Statement be provided at the next Audit Committee Meeting.

Superintendent Moser mentioned that he has an appointment with County Superintendent of Schools Chuck Weis next week. Associate Superintendent Marcus Battle will be attending the meeting with him.

8. Discussion/Action: Facilities Development Measure G & E General Obligation Bond Funds

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for the Measure G & E General Bond Obligation Funds.

Internal Auditor Marsh met with staff to discuss the current projects. He also mentioned that the program management contract with SGI will be revised. At the next Audit Committee Meeting, more information will be reported out to the Committee.

9. Discussion/Action: School Site Cash Handling

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for the handling of cash at school sites.

Internal Auditor Marsh presented a draft Administrative Regulation on Cash Handling at School Sites.

Superintendent Moser will coordinate efforts with Internal Auditor Marsh to ensure that cross references, policies, Education Codes, and law are noted in the administrative regulation.

Motion by Chair Biehl, second by Member Berg, to accept the first draft of administrative regulation "School Site Cash Handling," refer the administrative regulation to administration for review, and direct administration to report back on November 19 with a final draft for review by the Audit Committee.

Vote: 5/0

10. Discussion/Action: Attendance Reporting

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for attendance reporting at school sites.

Internal Auditor Marsh shared with the Committee that he visited four school sites in August to review their attendance.

Vice Chair Martinez-Roach indicated that attendance reporting is an issue. It should be brought back for further discussion at the next meeting.

Superintendent Moser explained the attendance taking process to the Committee.

11. Discussion/Action: Legal Expenditures

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations related to legal expenditures.

Internal Auditor Marsh indicated that legal expenses equal \$1.23 million. He shared with the Committee the following information:

- *Survey of legal expenses at various school districts*
- *Summary of District legal costs for fiscal year 2010-2011*
- *Memo summarizing review of legal expenses*
- *Draft Administrative Regulation: Legal Services*

Motion by Chair Biehl, second by Member Neighbors, to receive the first reading of administrative regulation "Legal Services," to refer the administrative regulation to administration for review, and direct administration to report back on November 19 with a final draft for review by the Audit Committee.

Vote: 5/0

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

Ian Marsh, Internal Auditor, will report on the implementation of a Fraud, Waste and Abuse Hotline as approved at the August 30, 2011, Board meeting.

Internal Auditor Marsh shared with the Committee that the Board approved the Fraud, Waste and Abuse Hotline. The contract for services will be with EthicsPoint GRC Solutions. It is currently being reviewed by Purchasing and Legal Counsel.

An update will be provided at the November 19 meeting.

13. Discussion/Action: Other Items and Possible Additions to Internal Auditor's Work Plan

Ian Marsh, Internal Auditor, will report on any other items that he is investigating and present recommendations for additions to the Internal Auditor's Work Plan. Members of the Audit Committee or the public may also make suggestions at this time.

Internal Auditor Marsh shared with the Committee that there are only two bank cards in the District. He provided the Committee an overview of the two bank cards: who they are issued to and intended use.

Chair Biehl mentioned that the next time the Internal Auditor's Work Plan is reviewed, he would like to add: Review of Records and Retention Policy.

External Audit

14. Discussion/Action: 2009/10 East Side Union High School District Audit

Ahmad Gharaibeh, External Auditor, will report on the status of the 2009/10 external audit.

External Auditor Gharaibeh indicated that there was a repeat finding in student body funds; the same as last year. The issue is training and process of enforcement.

15. Discussion/Action: Leasing of Facilities

Ahmad Gharaibeh, External Auditor, will report on the improper reporting of facilities leasing revenues.

This item was discussed under item 14.

District Administration/Superintendent

16. Discussion/Action: Carnival Policies and related Issues

Superintendent Dan Moser will report on the current Board policy related to the authority to authorize a “Carnival” and the development of an administrative regulation that includes certificate of insurance requirements for liability and workers compensation.

Superintendent Moser presented a draft revision to Board Policy 1330 “Use of School Facilities. This policy covered the permission and process for use of facilities. The cost to rent the facilities is covered in the 3000 series – Business Services.

Superintendent Moser will bring a fee schedule back in six months to the Committee.

17. Discussion/Action: E-RATE Reimbursement for 2008

Superintendent Dan Moser will brief the committee on the current status of the E-RATE reimbursement.

Superintendent Moser provided an update on the E-Rate reimbursement for 2008. The outstanding claim for 2008 has been approved.

Also provided to the Committee was an E-Rate status report by Internal Auditor Marsh for claim years 2008, 2010 and 2011, including the approved funding amounts.

Vice Chair Martinez-Roach requested that the Board be provided an update on E-Rate.

Superintendent Moser will speak with Associate Superintendent Battle regarding an update to the Board of Trustees.

18. Discussion/Action: Status of Special Education IEP’s

Superintendent Moser will report on the status of the District’s efforts to comply with Individual Education Plan (IEP) requirements for Special Education students.

Superintendent Moser provided an update on the status of outstanding IEPs. There are 320 outstanding IEPs. Efforts are being made to continue to reduce the numbers.

External Auditor Gharaibeh will be ready by the November meeting to provide an update on this audit item.

This item will be kept on the agenda for further updates to the Committee.

Audit Committee Business

19. Discussion/Action: Annual Review of Audit Committee Charter

Section V, Self-Assessment, requires the annual review of the Charter. Audit Committee member Dan Juchau will provide recommendation for revisions to the Audit Committee Charter

Member Juchau presented item 19, proposed changes to the Audit Committee Charter.

Page 1:

- *Audit Committee Authority -- Removed second paragraph – language no longer necessary.*

Page 2:

- *Added: G. Providing input on the effectiveness of the external independent auditor*
- *Under membership, there are some points of clarification: Appointment of Board Members to the Audit Committee will be made at the Board's Annual Organizational Meeting in December; public members will be appointment at the first Regular Board Meeting in January.*

Page 3 (bottom):

- *If a vacancy occurs, the voting members shall appoint the alternate member to fill the remaining term of that departing voting member. The Audit Committee Chair and Vice Chair will make recommendations to the Board as to how to proceed to fill the alternate's position.*

Page 5 (middle):

- *Clarification on request for information. Only the Audit Committee Chair will make requests for information.*

Member Berg asked if he would be precluded from making public records requests.

Chair Biehl indicated that Member Berg, as allowed by law, would not be precluded to make public records requests.

Page 7:

- *Middle of page -- clarification: If request may make... regardless selection of an internal auditor.*
- *“B” deleted because it is no longer necessary.*
- *Self Assessment (bottom of page): The Audit Committee Chair, at the request of the Board, shall take responsibility for the immediate review and approval of the Internal Auditor’s hours, vacation requests, and expense reimbursements.*

Member Juchau was thanked for his all his work on the proposed changes to the Audit Committee Charter.

Vice Chair Martinez-Roach voiced her concern on the records request language and that any member has a right to request information.

Chair Biehl indicated that it is the Committee who makes the request and it is for non-public information, with the exception of personnel and confidential information. Any individual can request information, but it is restricted to information in the Public Records Act.

Motion by Member Berg, second by Member Neighbors, to adopt the proposed changes in the Audit Committee Charter.

Vote: 4/0, Member Martinez-Roach abstained from vote; she will discuss the proposed changes at the Board Meeting.

20. Discussion/Action Future Meetings

The next Audit Committee meeting is scheduled for 9:00 AM, Saturday, November 19, 2011.

The Committee will be meeting on November 19 at 9 AM in the Superintendent’s Conference Room.

21. Superintendent Communications/Comments

- Superintendent Dan Moser
- Associate Superintendent of Business Services, Marcus Battle

There were no comments under this section.

22. 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 under this section.

23. Adjournment

Chair Biehl adjourned the meeting at 11:49 a.m.

Respectfully submitted,

Frank Biehl, Board Audit Committee Chair



Santa Clara County Office of Education

Charles Weis, Ph.D.
County Superintendent of Schools

2011 SEP 26 A 8: 51

September 20, 2011

Mr. Lan Nguyen, President
Board of Trustees
East Side Union School District
830 North Capitol Avenue
San Jose, CA 95133

Dear President Nguyen:

Re: Close-out of Extraordinary Audit Pursuant to Education Code 1241.5 (b)

In accordance with the provisions of Education Code (EC) 1241.5(b), an Extraordinary Audit of the East Side Union High School District's (District) expenditures and internal controls was performed. This action was taken in response to allegations of possible illegal and questionable business practices by the District.

BACKGROUND AND CONCLUSIONS

In 2009, the Santa Clara County Office of Education (SCCOE)/Santa Clara County Superintendent of Schools received a written complaint alleging business and fiscal improprieties at the District. After an initial review/investigation by SCCOE staff, we engaged the California Fiscal Crisis & Management Assistance Team (FCMAT) to perform an "extraordinary" audit. The SCCOE-requested FCMAT audit was concluded and a final report of the findings with recommendations was issued on January 28, 2010.

The conclusion reached by FCMAT and SCCOE was that the most serious and direct allegations of fraud were not sustained. However, in the area of policies, regulations and practices that are, or should be in place, to ensure that the assets of the District are protected and that appropriate processes are followed, the final FCMAT report presented a set of 21 findings and recommendations to address identified deficiencies. Since the report was released, the District has responded to all 21 recommendations. The corrective actions taken by the District are summarized in Attachment 1.

It should be noted that this was not the first occasion that FCMAT was in the District. This audit/study was the third by FCMAT at the District since 2001. The first two were conducted at the request of the District. Generically and, in some cases, specifically, the topics and areas of concern identified in this audit were also identified in the previous two studies. In our opinion, as noted below, we believe that several of the corrective action steps that were taken do not reflect either a full and comprehensive understanding of the recommendation or a total commitment to corrective actions needed. This underscores the need for the District to exercise a diligence to continuously monitor and assess progress on each of the recommendations from the report.

ACTION BY SCCOE

Since the SCCOE-requested FCMAT report was issued in January 2010, there were a substantial number of meetings, verbal and written communications between the District and SCCOE. The primary focus of these activities was to track the progress of the District in implementing the FCMAT recommendations with appropriate corrective actions. Based on our final review of the documents and information provided by the District, we have

County Board of Education: Leon F. Beauchman, Michael Chang, Joseph Di Salvo, Julia Hover-Smoot, Grace H. Mah, Craig Mann, Anna Song
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A Champion for Children, Schools and Community

concluded that the District has implemented, to varying degrees, corrective actions to all of the recommendations of the FCMAT audit. Therefore, this letter is to serve as the final close-out of the January 2010 Extraordinary Audit. The District's Board and Administration is to be commended with its responsiveness and decisive steps in making many of the proper adjustments.

While we are closing the extraordinary audit, we remain concerned with some of the District's practices and internal controls. For example, during our review of materials submitted by the District that were intended to verify that corrective actions were implemented, new questions have emerged regarding the degree that staff have fully understood and properly implemented the associated corrective action. In other words, is the prescribed correction fully accepted, and part of the regular course of business? Please note the following:

FCMAT Recommendation #5 – Require evidence that conflict-of-interest statement have been submitted for every consultant contract being considered for approval as required by Board Policy 3600.

According to the information submitted to us, this Policy was implemented but not until the end of April 2011. To examine its effectiveness, we requested documents to test its implementation. Upon our request, the District provided a list of 37 professional service contracts that were approved after the Policy was adopted. SCCOE requested to review 14 signed statements. Of the 14, 7 did not have signed statements at the time the contracts were executed. Five statements had signatures with dates after the contract performance period had started; 2 still had no accompanying conflict-of-interest statements.

Since we were seeking evidence that a correction had been implemented, the materials submitted to us only serve to continue our concern regarding the District's current state of internal controls. Our expectation is that all contract documents would have completed conflict-of-interest statements attached and reviewed *prior* to requesting approval of contracts by the District's Board.

FCMAT Recommendation #13 – Review the process utilized to hire the consultant whose payments were made under the purchase order of a different consultant and determine whether these services were authorized.

To address this finding, the District's contract form was revised to require a District pre-approval of subcontractor consultants. However, when asked to provide evidence of the correction, the District submitted three contracts as examples of the new contract form. In reviewing the contracts selected and submitted by the District, new concerns regarding the business practices and internal controls were identified. Of the three submitted, only one was satisfactory. Of the other two, each had different problem issues.

1. The contract with Environmental Remediation (Attachment 2) was approved by the Board on May 31, 2011; signed by the Contractor, June 3, 2011; and signed by District staff on June 6, 2011 for work that was performed (according to the contract) by the Contractor prior to a contract being executed. According to the contract, an Invoice dated March 31, 2011, was submitted to the District for completed work. Further complicating the series of dates, Item 2 of the contract states that the Contract Term is April 1, 2011 – May 5, 2011.

The District needs to again review, monitor, and adjust its contracting process so that work is authorized by the Board before contractors/vendors are allowed to provide services. We strongly recommend that the

training of staff and the oversight of the District's Internal Auditor be strengthened so that this kind of problem is prevented from future occurrences.

2. The District initiated a contract with O'Connor Construction Company to obtain a cost estimate for building modernization in a format prescribed by the California Division of State Architect (DSA). Pursuant to discussions with the District, it was learned that the contract for the construction had been previously awarded to another vendor who had not submitted their bid in the format required by the DSA. In order to obtain a bid in a DSA-approved format, the District in turn contracted with and paid O'Connor instead of seeking a bid from the original contractor who had been awarded the contract for the modernization work.

While this is not technically a violation of District policy or of State law or regulation, we are concerned that this yet another indicator of a weak system of internal controls. There were no safeguards that would have prevented the District from resolving this in a manner that, in our opinion, expended funds in a non-economical manner. Additionally, there were no business practices that fully scrutinized the original contractor's proposal for full required services.


CONCLUSION AND NEXT STEPS

Our concerns continue that the District should seek to implement regular monitoring to verify that the changes to business practices identified in this FCMAT report are a high priority. The steps taken by the District and the intentions are clear and decisive. However, the application of recommendations, not only from the FCMAT report but from other sources, continues to be of serious concern to us. Case in point, the District provided SCCOE a copy of a Performance Audit Report developed by its audit firm, Vavrinek, Trine, Day & Co., LLP. The audit was directed by the District to examine the construction program funded through General Obligation Bond funds (Measures G and E). The focus was to verify if expenses were/are appropriately charged. Some of the findings in that report echo the findings in the other reports cited in this letter. Again, the District is to be commended for the steps taken for self-examination; however, to fully realize a measurable change, we recommend continued increases in due-diligence and application of the identified corrective actions.

We thank the District for their efforts in closing the FCMAT Audit issues. Further, we understand that these changes take time. The SCCOE will continue to monitor the progress of the District in strengthening internal controls.

Should you have any questions concerning this review, please feel free to call me at (408) 453-6519.

Sincerely,



Kenneth Shelton
Chief Business Officer
Business Services

Mr. Nguyen, East Side Union High School District
September 20, 2011
Page 4 of 4

cc: Members of the Board, East Side Union High School District (ESUHSD)
Mr. Dan Moser, Superintendent, ESUHSD
Mr. Marcus Battle, Associate Superintendent, Business Services, ESUHSD
Ms. Karen Poon, Director of Fiscal Services, ESUHSD
Dr. Charles Weis, Ph.D., Santa Clara County Superintendent of Schools
Ms. Nimrat Johal, Director, District Business & Advisory Services, SCCOE
Mr. Scott Hannan, Director, School Fiscal Services, California Department of Education

CONTRACTED SERVICES		District Response as of September 2011	SCOE COMMENTS
#	Finding		
1	1 Amend Administrative Regulation 3323 to require informal bids for all service contracts of more than \$ 5,000 with no maximum limit	District provided SCCOE with copies of Administrative Regulation 3311 "Business & Non-Instructional Operations. Subject: Bids."	Fully Compliant. Bidding process addressed in AR 3311
2	2 Amend Administrative Regulation 3323 to clarify that informal bids are required when consulting service contracts are otherwise exempt from bidding per Government Code 56030.*	District provided SCCOE with copies of Administrative Regulation 3311 "Business & Non-Instructional Operations. Subject: Bids."	Ian Marsh sent "AR3311 Updated 6-24-11.doc" via e-mail to Yen Lam on June 24, 2011. The District later provided Cabinet approval date of July 14, 2011.
3	3 Enforce Administrative Regulation 3323 regarding utilization of informal bids.		Fully Compliant. Bidding process addressed in AR 3311
4	4 Include specific details on contract approvals in minutes of board meetings.	Practice implemented with March Board Minutes.	Fully Compliant. Spreadsheet attachments to minutes listing Contractor, Reviewer, Period, Amount, & Purpose.
5	5 Require evidence that conflict-of-interest statement has been submitted for every consultant contract being considered for approval as required by Board Policy 3600	District provided 12 of 14 Conflict of Interest Statements (from list of 37 professional service contracts approved since practice was implemented on April 29, 2011).	Only half of the requested sample were satisfactory as they were signed after contract start date (Matriscope, Piedmont Moving, Consolidated Engineering, PD360, Salas O'Brien, and Engeo) and 2 were never completed (Cambium and Juan Serrano).
6	6 Restore the internal audit function, including funding for an internal auditor position, and operate this function according to industry standards.	Ian Marsh became new Internal Auditor in November 2010. He provided 2010-11 Work Plan at on-site visit in March.	Fully Compliant. 2010-11 work plan & status provided and reviewed.
7	7 Establish board policy providing guidance to the staff in circumstances where contracted services can be billed to the district by consultants and other service providers.	District provided SCCOE with copies of Administrative Regulation 3311 "Business & Non-Instructional Operations. Subject: Bids."	Fully Compliant. Addressed in AR 3311.
8	1 Submit all contract extensions for board approval per policy 3312	Administrative Directive issued 3/1/10.	Fully Compliant. Addressed in AR 3311.
9	2 Submit purchase orders for all consulting services contracts to the governing board for approval.	Administrative Directive issued 3/1/10.	Fully Compliant. Consulting POs being approved by Board as evident in Board Minutes on District website (reviewed 2/22) detailing Contractor, Period, Amount, & Purpose.
10	3 Submit to the Board for approval all purchase orders adjustments that do not otherwise meet the criteria of board policy 3314	Administrative Directive issued 3/1/10.	Fully Compliant. PO Change orders being approved by Board as evident in Board Minutes on District website

*FCMAT Report references GC56030, however, the numbers were incorrectly transposed.

CONTRACTED SERVICES cont.		District Response as of September 2011	SCOE COMMENTS
11	Finding 4 Require all vendors to provide detailed invoices that include specific dates and hours per day of service, detailed by the professional providing the service.	Contract Services PO report provided from which Emma chose a sample of 13 Purchase Orders and requested copies of invoices and supporting documentation from Karen in advance. Documents were provided on-site.	Sample Fully Compliant.
	5 Refrain from utilizing contract provisions that provide for equal payment installments if they do not require itemized invoices with the same detail included in recommendation number four.		
12	6 Review the process utilized to hire the consultant whose payments were made under the purchase order of a different consultant and determine whether these services were authorized.	District provided samples of old and new versions of contracts to show the change in language recommended.	Of the 3 new contracts, only one was satisfactory. The Environmental Remediation contract signed in June was for payment of an invoice dated March for work already completed. The O'Connor Construction was to provide a bid for work contracted to another vendor.
13			

BOND FUNDS - CONTRACTED SERVICES		
Finding	FCMAT Recommendation to ESUHSD Board	District Response as of September 2011
14	1 Require all vendors provide detailed invoices that include specific dates and hours per day of service, detailed by the person providing the service, with the underlying facility project identified with each charge.	Administrative Directive issued 3/1/10.
15	2 Consider a review of all invoices charged to Measure G and Measure E funds to determine that project costs were properly allocated to each bond program.	VTD Performance Audit Report for the fiscal year ended 6/30/10 was provided.
16	3 Fund from other sources any inappropriate expenditures identified as a result of the review per recommendation number two	See immediately preceding recommended response. Remedy to follow outcome of #2 above.
		<p>SCOE COMMENTS</p> <p>Fully Compliant. Contract language amended to require detailed invoices</p> <p>Audit Report verified that funds were expended for the purposes specified in Measure E and the funds held in the Bond Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects. In all significant respects, ESUHSD has properly accounted for the expenditures in the Bond Fund and that such expenditures were made for authorized Bond projects. The Auditors identified significant internal control deficiencies as to the effectiveness of operations. Their recommendation is to amend the contract language going forward to be more specific with the nature and amount of reimbursable expenses such as travel, per diem, communication such as cell phone and internet, food and beverage. Though the contract language has been amended, there is further room for improvement as the samples provided were not satisfactory (see Finding #15).</p> <p>N/A as the Audit Reports was clean.</p>

SUPERINTENDENT'S VACATION		SCOE COMMENTS
Finding	FCMAT Recommendation to ESUHSD Board	District Response as of September 2011
17	1 Adopt policy and regulations to require periodic vacations to be taken by all staff that accrue this leave, and implement procedures to periodically confirm vacations are taken.	<p>Fully Compliant. Superintendent & Associate Superintendent contracts provided. Vacation policy covered in Item 7 of both agreements and include the FCMAT Recommendations.</p>
18	2 Adopt policy and regulations to develop a clear process for cash payouts of unused vacation. Include in this process a requirement that each payout is to be approved by the governing board in advance of the payout.	
19	3 Establish board regulations regarding the basis for calculation of administrator daily rates to be utilized for vacation payout calculations.	
20	4 Review all board policy regulations and contracts for administrators and modify if necessary to establish clear language identifying required annual days of paid service, paid holidays, accrued vacation, sick leave and other leaves for members of management.	
21	5 Develop and implement forms to be utilized by the staff to request and process accrued vacation payouts.	
		<p>Superintendent & Associate Superintendent contracts provided.</p> <p>Administrative Leave Request form provided. No payout form exists for Certificated employees. Prior year Vacation Pay-Off form for Classified 10- and 11-month Staff was provided (current year form can be made available next week, upon request).</p> <p>Substantially Compliant. Though no accrued vacation payout form exists for Certificated employees, payout is part of the contract provision of Associate Superintendent: <i>vacation payout for up to 30 days occurs at the conclusion of every fiscal year.</i> Ensure that future superintendent payouts are reviewed by CBO and approved by the Board.</p>

EAST SIDE UNION HIGH SCHOOL DISTRICT

CONTRACT SERVICES AGREEMENT (No. _____)

TO: BUSINESS SERVICES

FROM: Facilities/Capitol Projects _____ June Rono/Janice Unger _____ Ext.# 75079
SCHOOL/DEPT. CONTACT PERSON

1. PARTIES: The East Side Union High School District (ESUHSD), whose address is 830 N. Capitol Avenue, San Jose, CA 95133, and the following named Contractor:

Contractor Name (First, Middle Initial, Last) ENVIRONMENTAL REMEDIATION TECHNOLOGIES, INC.

Address 6472 Camden Avenue, Suite 102B CITY San Jose, ST CA Zip 95120 Telephone 800-660-1808

Fax No. _____ Social Security Number _____ or Federal I.D. Number: 77-0444863

Contractor's License # _____ Type _____ Expiration _____

mutually agree and promise as follows and as per terms and conditions set forth on the reverse side of this page (page 3):

2. CONTRACT TERM: Effective dates: APRIL 01, 2011 - MAY 5, 2011

3. CONTRACTOR'S OBLIGATION: In consideration of the compensation, the Contractor shall provide the following services, materials, products, and/or reports. Attach proposals and other documentation if available.

~~Approve a contract service agreement/invoice No. 1104-51, Invoice date: March 31, 2011, for completed consultation, project management/oversight hazard inspection services for the Andrew Hill High School Title IX Interior Modernization Project No. B-025-001.~~

Invoices are to be submitted to East Side Union High School District in the following manner:

- 1. Invoice must state in detail all services that are rendered.
- 2. Purchase order number, project name and number, DSA file number, time logs, along with application number assigned to this project needs to be listed on each invoice.
- 3. Invoices are to be sent to Facilities & Planning Department, Attn: Department Secretary at East Side Union High School District, 830 North Capitol Ave., San Jose, CA 95133.

Item 6: INSURANCE in Contract Terms and Conditions is deleted in its entirety and replaced with Attachment B.

ESUHSD has retained the services of Sugimura Finney Architects (SFA) as the architect of the Construction Work, ESUHSD has retained the services Facilities Management Planning and Operations, Inc. (FMPO) as construction manager of the Construction Work.

ESUHSD has retained the services of Michael Henley & Company, as the Division of State Architect ("DSA") project inspector of the Construction Work.

Remit Address: ERT- Environmental Remediation Technologies, Inc. 6472 Camden Avenue, Suite 102B, San Jose, CA 95120

4. **COMPENSATION:** In consideration of Contractor's provision of services as described above, ESUHSD shall pay Contractor upon completion of services, as follows:

Hourly Rate \$ _____/hour Total hours _____ Total Fees \$ 7,560.00
Other (i.e. monthly, quarterly, annually): monthly

5. **BUDGET CODE AND FUNDING SOURCE: FUNDING SOURCE: Measure E** _____

FD	LOC	PROG	GOAL	FUNC	OBJT	RESC	YR	MGR	\$ AMOUNT
XX	XXX	XXX	XXXX	XXXX	XXXX	XXXX	X	XXX	
23	025	823	0000	8500	6235	0000	0	000	\$7,560.00

6. **APPROVALS:** These signatures attest the parties' agreement hereto:

East Side Union High School District
 School Site/Dept. Administrator [Signature] Date 6/6/11
 Business Services [Signature] Date 6/6/11
 Superintendent _____ Date _____
 Board of Trustees **BOARD APPROVED - MAY 31, 2011** Date _____
 Contractor:
 Signature Dominick Fanelli Date 6-3-11
 Printed Name Dominick FANELLI Title CEO
 (Form #3002-23 mdc 8/03)

BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Consultants

The Governing Board authorizes the use of consultants to provide expert professional advice or specialized technical or training services which are not needed on a continuing basis and which cannot be provided by district staff because of limitations of time, experience or knowledge. Individuals, firms or organizations employed as consultants may assist management with decisions and/or project development related to financial, economic, accounting, engineering, legal, administrative, instructional or other matters.

As part of the contract process, the Superintendent or designee shall determine, in accordance with Internal Revenue Service guidelines, that the consultant is properly classified as an independent contractor. District employees who perform extra-duty consultant services shall not be retained as independent contractors. They shall be considered employees for all purposes, even if the additional services are not related to their regular duties.

All consultant contracts shall be brought to the Board for approval.

(cf. 3312 - Contracts)

The district shall not contract for consulting services that can be performed without charge by a public agency or official unless these services are unavailable from the public source for reasons beyond the district's control.

All qualified firms or resource persons shall be accorded equal opportunity for consultant contracts regardless of origin, ethnic group identification, religion, age, sex, color, or disability.

(cf. 3311 - Bids)

(cf. 3551 - Food Service Operations/Cafeteria Fund)

(cf. 4030 - Nondiscrimination in Employment)

Independent contractors applying for a consultant contract shall submit a written conflict of interest statement disclosing financial interests as determined necessary by the Superintendent or designee, depending on the range of duties to be performed by the consultant. The Superintendent or designee shall consider this statement when deciding whether to recommend the consultant's employment.

(cf. 9270 - Conflict of Interest)

When employees of a public university, county office of education or other public agency serve as consultant or resource persons for the district, they shall certify as part of the consultant agreement that they will not receive salary or remuneration other than vacation pay from any other public agency for the specific days when they work for this district.

Legal Reference:

EDUCATION CODE

10400-10407 Cooperative improvement programs

35010 Control of districts; prescription and enforcement of rules

35172(a) Promotional activities

35204 Contract with attorney

17596 Limit on continuing contracts

44925 Part-time readers employed as independent contractors

45103 Classified service in districts not incorporating the merit system

45103.5 Contracts for food service consulting services

45134-45135 Employment of retired classified employee

45256 Merit system districts; classified service; positions established for professional experts on a temporary basis

GOVERNMENT CODE

53060 Contract for special services and advice

Management Resources:

INTERNAL REVENUE SERVICE PUBLICATIONS

15-A Employer's Supplemental Tax Guide



Item 7(c)

CONFLICT OF INTEREST STATEMENT East Side Union High School District (Consultants)

[This form must be filled out, signed, dated and submitted by all persons seeking to serve as a consultant to the District]

Board Policy 3600 of the East Side Union High School District provides in part:

“Independent contractors applying for a consultant contract shall submit a written conflict of interest statement disclosing financial interests as determined necessary by the Superintendent or designee, depending on the range of duties to be performed by the consultant. The Superintendent or designee shall consider this statement when deciding whether to recommend the consultant's employment.”

The Superintendent has determined that all persons seeking to serve as a consultant to the District shall fill out truthfully, sign, date and submit this Conflict of Interest Statement prior to performing any consultant work or services for the District.

I, _____ [NAME OF CONSULTANT], hereby certify the following:

1. I am not an employee of the District.
2. Within the past year I have not been a member of the District Board of Trustees of the District.
3. Neither I nor any member of my immediate family (includes parent, spouse, domestic partner, or child) or member or resident of my household is a member of the District's Citizens Bond Oversight Committee for the District's Measure G or Measure E bond programs.
4. Within the past year I have not provided or made, and will not provide or make, any promise of any gift¹ of any kind (money, meals, goods, services, entertainment tickets, etc.), in-kind services, commission, or fully or partially expense-paid trips to any District Board Member or District employee whose responsibilities include the selection of District consultants or the evaluation, supervision or oversight of District consultants (a “**Responsible Employee**”), except:

¹ “Gifts” do not include promotional or advertising items such as calendars, desk pads, notebooks and other office items valued less than \$25.00 and which are of the type usually offered by business concerns free of charge to all as part of their public relations programs.



5. I do not employ or retain, and will not employ or retain, any current District **Responsible Employee** as a consultant, independent contractor or employee during the term of my consultancy agreement with the District.

6. I am authorized to make, and do make, this certification on behalf of _____
[CONSULTANT].

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant

Signature Date



East Side Union High School District

830 North Capitol Avenue • San José, California 95133-1316 • 408-347-5000

Academic, personal and social success for each and every student.

Dan Moser, Superintendent

Item 7(d1)

September 30, 2011

DRAFT

Dear Vendor:

Thank you for doing business with East Side Union High School District. As a result of recent external audits, we have put increased emphasis on our invoice review and payment practices. Effective Monday, October 17, 2011, all invoices for payment must contain sufficient detail to support payments requested. All contracted services invoices will be reviewed to ensure they contain the following elements listed below:

- Purchase order number
- Location of work/service performed
- Summary detail of work/service performed including project number for facilities contracts
- Service date(s)
- Number of hours of service
- Materials listed by quantity and unit price

As a reminder, all invoices or request for payments must contain a valid and identifiable purchase order number. Any invoices received without a purchase order number will not be processed for payment. If an invoice is received and any of the above elements are missing, you will receive the attached invoice rejection letter which will identify the missing element. If you have any questions regarding these requirements, please do not hesitate to contact my Director of Finance, Karen Poon at 408-347-5220 or via e-mail at poonk@esuhd.org.

Sincerely yours,

Marcus Battle
Associate Superintendent, Business and Operations

BOARD OF TRUSTEES: Frank Biehl, Van Le, J. Manuel Herrera, Patricia Martinez-Roach, Lan Nguyen

It is the policy of the East Side Union High School District not to discriminate on the basis of sex, age, religion, race or national origin, sexual orientation, or handicapped condition in its educational programs and activities or in the recruitment and employment of personnel.



EAST SIDE UNION HIGH SCHOOL DISTRICT

830 N. Capitol Ave., San Jose, CA 95133

DISTRICT REJECTED INVOICE

Item 7(d2)

Vendor: _____

Invoice Number: _____ Amount: _____

Invoice Date: _____

For Reason(s) Below:



- No Purchase Order Number
- No Location of Work/Service performed
- No Summary detail of work/service performed including project number for facilities
- No Service date(s)
- No number of hours of service
- No Materials listed by quantity and unit price

- Other: _____

Invoice returned by: _____ Phone #: _____

Email address: _____ Returned on: _____

Please contact the person above if you have any questions. Thank you.

East Side Union High School District

Fraud, Waste & Abuse Hotline

Board's Draft Portal Letter

Dear employees and friends of the East Side Union High School District,

District employees and Board members are expected to commit themselves to upholding the highest ethical standards while acting on behalf of the District in discharging its business and academic affairs. East Side also has a responsibility for the stewardship of the resources which enable it to pursue its mission. We are committed to being fully compliant with the laws and regulations to which the District is subject, and to promulgating policies and procedures to apply them. To help ensure full legal and regulatory compliance, and maintain the highest ethical standards, the District has implemented a confidential Fraud, Waste & Abuse Hotline (hotline).

The hotline is not intended to be a substitute for communicating general complaints or suggestions, or employment-related grievances, since there are existing District policies and procedures for resolution of these matters. Further, while the District encourages face to face communication of questions or concerns about District operations, it recognizes this is not always feasible. We believe a confidential hotline is a convenient and effective vehicle for certificated and classified staff, vendors and the community at large to report suspected fraud, waste and abuse without fear of retaliation.

The hotline service is hosted by a third-party provider, EthicsPoint. The District will not retaliate or permit retaliation against those who, in good faith, report suspected ethical or other violations. EthicsPoint, and the District's Internal Auditor, who has overall responsibility for administration of the hotline, shall at all times maintain the confidentiality of complaints, their investigation and any associated documentation. Reports may be made anonymously, should reporters wish to do so, either on-line or to a toll-free telephone number. There is a portal on the District's homepage which has links to how to make a report, follow-up on a report and frequently asked questions.

Should you have any questions, please contact the Internal Auditor, Ian Marsh.

Sincerely,

Item 11

ASSOCIATED STUDENT BODY WORKSHOP

**Guidelines for High School Students
Ian Marsh – Internal Auditor
November 7, 2011**

INTRODUCTION

What is Associated Student Body?

A group of current students who:

- Raise and spend money for student activities
- Make decisions on how the money is raised and spent
- Learn good business practices and leadership skills

Why are there so many ASB audit findings?

- Cash transactions
- Decentralized activities

Successful Organizations

- Comprehensive Board Policies and Administrative Regulations
- Standardized procedures
- Oversight and support from the District Office
- Follow sound business practices to ensure confidence in their governance and financial management
- Ensure funds generated are used effectively and accounted for in accordance with the Student Council governing body
- Annual training

Roles and Responsibilities

Who is involved?

- State, Board of Trustees, Business Office Staff
- Principals, ASB Advisors, Finance Clerks
- Student Council
- Independent Accountants

Who is not involved?

- Booster groups, parent groups, foundations
- Parent group funds cannot be commingled (mixed) with ASB
- Once funds are donated, only the student organizations can control how the funds are used

Laws and Regulations

Which laws apply?

- Education Code, California Code of Regulations, California Constitution, Revenue and Taxation Code, Internal Revenue Code, Penal Code
- Easy to become non-compliant
- Student organizations must pay sales tax and use tax for all items purchased and consumed by the organization, except where sales are irregular and intermittent
- Exempt from income tax

Food Sales

- Food sales are popular fundraisers, but highly regulated by State and Federal governments
- Must be compliant with wellness policy
- Permitted if during the school day (½ hour before school to ½ hour after) and if specific nutrition requirements are met
- Four annual sales for any and all groups, all on the same four days
- One student group may have daily sales (usually the Student Council); three types of food or beverage items; not in competition with the Food Services Program
- Food may not be prepared on campus or in private homes
- Food handling must be compliant with the Health & Safety Code
- Beverages limited to water, milk (not whole milk), fruit/ vegetable juice (minimum 50% juice, no added sweeteners)
- Electrolyte beverage with no more than 42 grams of added sweetener per 20 ounce serving (CNS can sell Gatorade)

Forming an ASB

ASB Types

- In High and Middle Schools = “Organized”
(Elementary = “Unorganized”)
- Activities organized around student clubs and a Student Council
- Students make decisions
- Formal meetings, develop budgets
- Plan fund-raisers
- Decide how funds will be spent
- Approve payments
- Advisors and Principal provide assistance and advice

Starting New Clubs

- Submit formal application – Title, powers and duties of officers, name of organization, endorsed by Club Advisor
- Composed of currently enrolled students at the site
- Must have - Certificated Advisor, Purpose/ Constitution, Budget, formal meetings
- Minutes of all meetings
- New clubs must be approved by Student Council, Principal

Trust Accounts

- Funds are held in trust by Student Council
- Constitution or By-Laws should state what happens to residual balances, and funds of inactive clubs
- If Constitution or By-Laws silent, funds revert to general ASB accounts

Local Requirements

- Recommend having all clubs reapply annually
- Ensure officers and ASB Advisor are current, and current Constitution and By-Laws are on file

Minutes of Meetings

- Student council and each club must prepare and maintain a record of each meeting and actions taken
- Attach documents reviewed and approved, such as purchase orders, check listing, financial information, and letters
- Should be concisely and clearly written, signed and dated
- Keep binder of all approved Minutes (recommend four-year minimum)

General Business Practices

Establishing Bank Account

- Follow Business Office guidelines
- Use District's Federal Tax ID
- Account in name of the ASB
- No commingling of ASB, District funds
- Two signers on each check (Principal, two APs); recommend have back-ups
- Students shouldn't sign checks
- Reconcile monthly
- No debit cards

Internal Controls

- Foundation of sound financial management
- Provide reasonable assurance that operations are effective and efficient, financial information is reliable
- Reduce risk of errors, fraud and abuse
- Ensure compliance with applicable laws and regulations
- Segregation of duties – ensure that one person does not handle a transaction from beginning to end

Budgets

- Financial plan for a specific period of time
- Student Council and individual clubs should develop annual goals
- Estimate revenues, expenses, ending reserves
- Budget should be in place before club makes commitments
- Students learn a necessary life skill

Residual Balances

- Funds can only be spent on current students
- If graduating – may spend remaining funds; gift to other ASB club or class; or gift to general ASB funds at same school
- Funds must remain at same school site

Accounting and Financial Management

Accounting and Financial Management

- Use “Blue Bear” software to record receipts and expenditures
- Helps provide assurance adequate internal controls in place
- ASB Finance Clerk prepares Income Statement, Balance Sheet at least monthly
- Journal Entries require supporting documentation, prior written approval by ASB Advisor, Principal, Club meeting Minutes
- Original supporting documentation only
- Annual Audit

Common Audit Findings

- Budgets not prepared
- Revenue projections not prepared
- Prenumbered receipts not issued
- Tickets sold not reconciled to tickets issued
- Deposits not made promptly
- Purchase orders not used
- Expenditures not approved by Principal, ASB Advisor, Student Council
- Checks payable to cash
- Bank reconciliations not prepared regularly
- Student store lacks inventory controls

Fraud Alert

- Should be monthly reports showing cash and club fund balances
- Bank accounts must be reconciled monthly
- Resistance to reasonable requests for information, such as fund balances
- If questions or concerns, notify Principal, ASB Advisor, Internal Auditor
- Fraud Alert Hotline

Cash Receipt Management and Procedures

- Most fraud that occurs in ASB are related to procedures for handling cash and checks
- Ensure proper cash controls over fundraising events and deposits into ASB bank accounts
- No commingling of ASB, District funds
- Dual cash counts
- Endorse checks “for deposit only”
- Prompt deposits
- Pre-numbered ticket controls

Allowable Expenses

- Expenditures cannot be gift of public funds
- Ask - Does the expense directly promote the general welfare, morale or educational experience of the students?
- Does it benefit students as a group?
- Are you sure it cannot be considered a gift of public funds? (e.g. items for employee personal use, gifts, donations, faculty meeting costs, cash awards)
- Awards allowed if \leq \$200 (e.g. for exceptional staff contributions to students) per EC 44015

Reference

- FCMAT “ASB Accounting Manual & Desk Reference,” 2009 Ed.
- Can be accessed and downloaded for free from: www.fcmat.org

Questions?

Thank you!

EAST SIDE UNION HIGH SCHOOL DISTRICT

BP 3314.4

BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Clearing Fund

The Governing Board may establish by resolution clearing funds for use by school principals to deposit lost textbook/library book fines, donations or teacher fund raising fees then transfer the balances by issuing checks for the district business office to deposit to the county controller account. Clearing fund accounts should be maintained in a low minimum balance. No disbursement for any expenses should be charged directly in the clearing fund accounts. (Education Code 41001 & 41002.5)

(cf. 3400 – Management of District Assets/Accounts)

Legal Reference:

EDUCATION CODE

35160 AUTHORITY OF GOVERNING BOARDS

41001 Deposit Moneys to County Treasury

41002.5 Establish Clearing Accounts

41020 Audits of all district funds

Business and Noninstructional Operations

CLEARING ACCOUNT

General Guidelines

- 1.1 Site and District non-student funds (for example, fees, fines and donations) shall be accounted for separately from Associated Student Body Funds in a Clearing Bank Account. Receipts only shall be received, recorded and deposited.
- 1.2 Guidelines prepared by the District's Business Office shall be followed by all school site personnel to ensure deposited funds are recorded and credited to the appropriate school site accounts.
- 1.3 The Clearing Account bank account shall be established by the District's Business Office.

Receipts

- 2.1 Finance Clerks have primary responsibility to identify non-ASB receipts for deposit in the Clearing Account.
- 2.2 Examples of District funds include, without limitation, rental income from use of facilities; payments for damage to buildings; reimbursement of personal telephone calls; AP and PSAT testing fees; lost, damaged and overdue book fines; and child center fees.

Donations

- 3.1 Donations may be in different forms, including cash, scholarships, equipment or supplies.
- 3.2 A site or District office administrator shall determine whether a donation is site-specific or intended for an ASB activity.
- 3.3 For District or site-specific donations, Certificated Staff or an Administrator may decide how funds are spent. The donation should be accepted by the Board of Trustees and, on request, a tax deduction receipt mailed by the Business office.
- 3.4 For ASB donations, funds are deposited into an ASB bank account, and the Student Council decides how funds are spent, in accordance with the Education Code.
- 3.5 A site administrator should acknowledge receipt of all non-ASB donations to the site.

Forms

- 4.1 Standard forms to be used for the coding and deposit of non-ASB receipts are included in the Guidelines prepared by the District's Business Office.

Audit

- 5.1 Clearing Account receipts are subject to audit by the District's Internal Auditor as well as its Independent Accountants.

Questions

- 6.1 Questions concerning this Administrative Regulation should be directed to the Director of Finance.

Business and Noninstructional Operations

CLEARING ACCOUNT

Legal References

Education Code

§35160 - Authority of Governing Boards

§41001 - Deposit Moneys to County Treasury

§41002.5 - Establish Clearing Accounts

§41020 - Audits of District Funds

DRAFT

Business and Noninstructional Operations

STUDENT ACTIVITY FUNDS

General Guidelines

- 1.1 Each site Principal shall be responsible for the appropriate oversight of all Student Activity or Associated Student Body (ASB) Funds.
- 1.2 District funds (e.g. fees, fines, donations) shall be accounted for separately from ASB funds. ASB funds should never be commingled with nonstudent organizations, such as booster, auxiliary and parent groups.
- 1.3 Each Principal has the primary responsibility for the prompt and accurate recording of ASB receipts and expenditures at his/ her site.
- 1.4 ASB bank accounts shall be opened or closed only with the approval of the Board of Trustees. The Director of Finance should be an authorized signatory on all accounts.
- 1.5 Authorized bank account signatures should be kept current.
- 1.6 ASB activity shall be in accordance with FCMAT's "Associated Student Body Accounting Manual & Desk Reference Manual."
- 1.7 ASB activity shall be recorded by a Finance Clerk or other employee qualified through a combination of education, training, job commitment and work experience.
- 1.8 The District shall provide the resources to ensure the Finance Clerk is properly trained in the recording of ASB activity.
- 1.9 Bank reconciliations, Trial Balance, Income Statement and Balance Sheets shall be prepared at least monthly and copies sent to the Business Office.
- 1.10 A Student Council should oversee ASB activities and approve all expenditures by resolution.
- 1.11 Minutes of Student Council meetings should document its activities and be kept on file.
- 1.12 Receipts and expenditures should be recorded in a ledger using "Blue Bear" or other software authorized by Business Services.
- 1.13 Where the site has a student store, there shall be periodic physical inventories and a reconciliation to the General Ledger inventory balance.

Disbursements

- 2.1 At each site an ASB checking account should be opened solely for student activity use.
- 2.2 Dual signatures are required on all checks.
- 2.3 The Authorization for Expenditure form or equivalent should be used to approve all reimbursements, payments, transfers of funds from one club account to another, and other related expenditures. Authorizations shall be signed and dated by the Student Council representative, Club Advisor and Principal or designee.
- 2.4 Original supporting documentation should be attached to disbursement authorizations, including receipts, itemized invoices and mileage claims.
- 2.5 Field trip expenses must be fully documented, including evidence supporting mileage, tolls and food purchased. Original itemized invoices are required for all accommodations.
- 2.6 Items which may be considered personal, such as gifts, are not reimbursable.
- 2.7 Checks shall be issued in numerical sequence and all accounted for, including voids.
- 2.8 Debit or credit cards may not be used in lieu of issuing checks.
- 2.9 Checks may not be made payable to "cash."

Receipts

- 3.1 Receipts issued in Blue Bear, or other another contemporaneous record such as an acknowledgement letter, shall support amounts received. Manual receipts may not be

Business and Noninstructional Operations

STUDENT ACTIVITY FUNDS

issued in lieu of Blue Bear receipts.

- 3.2 For fund raising activities, there should be dual, independent counts of cash and checks.
- 3.3 Checks should be restrictively endorsed when received.
- 3.4 Supporting documentation shall be retained to document all cash and checks received.

Bank Deposits

- 4.1 Deposits should be made promptly and intact, and at least weekly.
- 4.2 Bank deposits should be balanced to a daily cash receipts record or other proof of cash received.
- 4.3 Each site should use uniform deposit slip and cash count forms.
- 4.4 Unless performed by the bank, Finance Clerks should make copies of all checks deposited. Applicable ASB club or activity numbers should be noted on each check.
- 4.5 A daily proof of cash plus any supporting documentation for fund raising activities should be attached to duplicate deposit slips.
- 4.6 For deposits made in person, duplicate deposit slips authenticated by the bank should be kept on file.
- 4.7 Unless deposit amounts exceed limits specified by the bank, deposits should not be split.
- 4.8 If a contract courier is used, deposit bag numbers should be logged.
- 4.9 Personal checks shall not be substituted for receipts received from others.
- 4.10 Undeposited cash and checks should be kept under lock and key.

Fund-Raising Events

- 5.1 The Board of Trustees or designee is responsible for authorizing major fund-raising activities, preferably at the beginning of each school year.
- 5.2 Issues to be considered before approving events include student safety and whether the event is appropriate for the educational experience of students.
- 5.3 Food and beverage sales may be permitted if fully compliant with State and Federal laws.
- 5.4 Raffles and games of chance are not permitted. Activities which pose liability, safety or risk concerns also may not be allowed.
- 5.5 Questions concerning insurance coverage should be referred to the Associate Superintendent of Business.
- 5.6 To assist with planning and budgeting, ASB clubs and activities should use revenue potential forms to estimate sales, sales price per unit, expected costs and net income.
- 5.7 On conclusion of fund-raising events, there should be a comparison of estimated and actual receipts and expenses.
- 5.8 Where tickets are sold, they shall be serially numbered, a log kept of all tickets issued, sold and returned, and all tickets accounted for. Unused tickets should be kept under lock and key.

Field Trips

- 6.1 Field trips sponsored by the school, teacher or booster group may be made in accordance with Board Policy and statute.
- 6.2 A budget for each field trip prepared by the trip sponsor shall identify the funding source(s), estimated expenses and expected surplus, if any.
- 6.3 Field trips shall be submitted for prior approval by the Principal and Board of Trustees.
- 6.4 Field trip sponsors shall identify the means of transportation. If travel is by common

Business and Noninstructional Operations

STUDENT ACTIVITY FUNDS

- carrier, a current insurance certificate shall be submitted to the sponsor.
- 6.5 District employees, parents or guardians, if providing transportation by automobile or van, shall be appropriately licensed and show proof of liability insurance with a minimum coverage of \$300,000 per incident.
 - 6.6 Requests for approval of field trips shall include proof of liability insurance for transportation. Questions concerning liability insurance coverage should be submitted to the Associate Superintendent of Business
 - 6.7 Field trip sponsors are responsible for the prompt and accurate recording of cash and checks received from students.
 - 6.8 There shall be a contemporaneous record kept of all cash and checks received, when they were received and from whom, which shall agree with deposit records.
 - 6.9 Receipt forms as confirmation of amounts received shall be issued in Blue Bear. The use of manual receipt forms is discouraged.
 - 6.10 Cash and checks for field trips shall be deposited promptly into a site bank account.
 - 6.11 Student Body accounts may be used on a pass-through basis to record amounts received and disbursed for field trips.
 - 6.12 Trip sponsors are responsible for ensuring all vendors are paid promptly and in full.
 - 6.13 On the conclusion of field trips, there shall be a final accounting prepared by the sponsor for all receipts and expenditures. It shall be made available, on request, to all parents and guardians and site administration.

Athletic Events

- 7.1 School sites shall accurately report tickets sold for athletic events and the corresponding receipts collected from such sales, and be compliant with applicable statute, regulations, Board Policies and Administrative Regulations.
- 7.2 Tickets shall be serially numbered. To discourage counterfeits, a different ticket color for each consecutive athletic event at the same site is encouraged. Adult and child tickets should be different colors.
- 7.3 A ticket log shall be maintained, with beginning and ending numbers recorded for each event and all tickets accounted for. Unused tickets shall be kept under lock and key.
- 7.4 Tickets shall be sold for cash only. Currency of \$10 and \$20 should be tested for authenticity when received. Bills of \$50 or more and IOU's cannot be accepted.
- 7.5 Change funds should be kept in lockable change boxes. Float amounts at the same location should be the same in each change box, and beginning denominations and quantities of currency and coins unchanged.
- 7.6 Ticket takers should tear tickets to prevent possible reuse and the stubs retained, to be reconciled with tickets sold per the log.
- 7.7 Following each athletic event, there shall be a reconciliation between tickets sold per the log with total net receipts. Variances over \$20.00 must be followed up promptly.
- 7.8 Dual, independent counts of receipts following athletic events are recommended. If the total receipt amounts agree, the total, by denomination, should be recorded on a collection envelope. Both counters should initial and date the envelope, which must be sealed, then sent to the Finance Clerk's office no later than the next business day.
- 7.9 As soon as received, the Finance Clerk shall recount receipts and agree with the collection envelope amounts. Receipts must be deposited promptly.
- 7.10 Receipts from different athletic events shall not be commingled.

Business and Noninstructional Operations

STUDENT ACTIVITY FUNDS

- 7.11 For major athletic events, security of staff and receipts is essential.
- 7.12 If receipts are held pending deposit until the next business day, they shall be placed in a locked safe.
- 7.13 Receipts shall not be carried off-site prior to deposit.
- 7.14 Disbursements for athletic events shall be made only by check.

Audits

- 8.1 ASB Funds are subject to audit by the District's Internal Auditor and Independent Accountants.

Questions

- 9.1 Questions concerning this Administrative Regulation should be directed to the Director of Finance or Internal Auditor.

Legal References

Education Code

§35564 – Funds, obligation of student body

§41020 – Requirement for annual audit

§48930-48938 – Student body organization

§49431.5 – Sale of food and beverages, high schools

Business and Noninstructional Operations

PURCHASE OF LEGAL SERVICES

General Guidelines

- 1.1 The East Side Union High School District (District) is committed to the acquisition of legal services in accordance with Board Policy and sound business practices.
- 1.2 The District shall appoint a General Counsel who shall have primary responsibility to represent it and the Board of Trustees, attend all Board of Trustee meetings and such other meetings as mutually agreed.
- 1.3 With the approval of the Board, General Counsel shall have authority to hire sub-counsel.
- 1.4 Legal counsel shall be Independent Contractors and not entitled to employee benefits.
- 1.5 Legal counsel shall have current professional liability insurance of not less than \$1 million per incident.
- 1.6 Legal counsel shall be compensated on a time and materials basis, unless expressly authorized otherwise by the Board of Trustees.
- 1.6 In all matters related to services performed, legal counsel shall maintain confidentiality.
- 1.7 The work product of legal counsel shall be and remain the property of the District.
- 1.8 Legal counsel shall retain District work product for a minimum of seven years or as required by statute, whichever is longer.
- 1.9 Where outside counsel is representing the District, those services shall be coordinated with General Counsel's services.
- 1.10 General Counsel shall report to the Superintendent at least monthly all potential and actual litigation, in a manner as mutually agreed.

Purchasing of Legal Services

- 2.1 Legal services shall be purchased in accordance with AR 3311, "Consultants."
- 2.2 Prior to a commitment to purchase legal services, staff shall evaluate alternative services available through School Services, FCMAT, CASBO, ACSA, CSBA and similar organizations.
- 2.3 Prior to a commitment to purchase legal services, staff shall perform due diligence in the selection of high quality legal services consistent with cost.
- 2.4 To assist in the control of legal expenditures, District staff shall obtain prior approval for the purchase from a Cabinet level administrator.
- 2.5 To limit legal expenses, where feasible staff should research Education Code and other statutes on the Internet at <http://www.leginfo.ca.gov/calaw.html>
- 2.6 Factors to be considered in contracting for the purchase of legal services shall include, without limitation, professional skills, ethical reputation, education, range of services offered, experience in school districts, maintenance of skills and cost.
- 2.7 Attorneys shall sign a Conflict of Interest statement when required by District policy.
- 2.8 Attorneys hired by the District shall be members of the State Bar of California and not have been subject to disciplinary action by the State Bar.

**East Side Union High School District
Regulation Approved: Date**

11/15/2011 11:18 AM

Business and Noninstructional Operations

PURCHASE OF LEGAL SERVICES

Billing Procedures

- 3.1 Unless other arrangements have been made, counsel shall bill the District monthly for services performed. Out-of-pocket expenses shall be billed at actual cost and itemized.
- 3.2 Invoices shall reference the District's Purchase Order number, and show the period covered, services performed, hours worked, who performed them and hourly rates.
- 3.3 Invoices shall identify which District staff or Board member ordered the services billed.
- 3.4 Time billed shall be at hourly rates agreed to in the District's contract with counsel.
- 3.5 Sub-contracted legal services are subject to the same requirements as primary contracts.
- 3.6 Prior to payment, invoices shall be reviewed and approved by the Administrative Secretary and employee ordering the service. The funding source shall be shown.

Conflict Resolution

- 4.1 Conflicts between legal counsel and the District, if the parties are unable to resolve them, shall be subject to binding arbitration.

Interpretation

- 5.1 Questions concerning this Administrative Regulation should be directed to the Associate Superintendent – Business.

Audit

- 6.1 Legal fees are subject to audit by the District's Internal Auditor well as its Independent Accountants.