

MEETING AGENDA
Board Audit Committee

6:00 PM

December 7, 2015

East Side Union High School District
Superintendent's Conference Room
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 Special 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 54954.3) 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 August 25, 2015, meeting will be presented for approval.

Chair / Vice Chair

7. Discussion/Action: Updates

Frank Biehl, Chair, and Pattie Cortese, Vice Chair, will provide update.

Senior Manager of Internal Controls

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

Kelly Kwong, Senior Manager of Internal Controls, will present guidelines regarding donations to outside organizations.

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

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

External Auditor

10. Discussion/Action: Annual Audit 2014-15

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present a draft unaudited actual financial report for the fiscal year 2014-15.

Superintendent / Associate Superintendent of Business Services

11. Discussion/Action: Bond Performance Audit

Marcus Battle, Associate Superintendent of Business Services, with Curtis Matthews, Partner at Moss Adams, LLP, and Charnee Foston, Senior Associate at Moss Adams, LLP, will present the Bond Performance Audit.

12. Discussion/Action: Facility Use

Marcus Battle, Associate Superintendent of Business Services, will provide a progress update on the recommendations from the Facilities Use Audit Report FY16-01.

13. Discussion/Action: Child Nutrition Services

Marcus Battle, Associate Superintendent of Business Services, and Julie Kasberger, Director of General Services, will present a progress update on the recommendations from the Child Nutrition Services Audit Report FY16-02.

Audit Committee Business

14. Discussion/Action: Audit Committee Charter

The finalized revised Audit Committee Charter was presented for a first reading at the November 19, 2015, Board meeting. It is expected that the revisions will be approved with the second reading at the December 10, 2015, Board meeting.

15. Discussion/Action: Audit Committee Members – Terms and Appointment Process Review

Audit Committee will review the terms served by each Member, draft vacancy announcement and application.

- 15A. Member Terms
- 15B. Draft Announcement Seeking Applicants
- 15C. Member Application

16. Discussion/Action: Future Meetings

Audit Committee has scheduled the next meeting for 6pm on March 22, 2016, and August 23, 2016. Request to reschedule the March 22, 2016, meeting.

17. Superintendent Communications/Comments

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

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.

19. Future Agenda Items

20. Adjournment

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Unapproved

ITEM 6

Board Audit Committee

August 25 2015

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 6:00 PM by Chair Frank Biehl.

Committee member present for roll call:

Chair Biehl, Vice Chair Cortese, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens.

Staff present:

- *Chris Funk*
- *Marcus Battle*
- *Kelly Kwong*
- *Karen Poon*
- *Andre Bell*
- *Julie Kasberger*
- *Mary Guillen*

Presenter present:

- *Joyce Peters, External Auditor - VTD*

2. Introductions

Chair Biehl extended a welcome to the Audit Committee. Committee Members and members of the audience introduce

3. Adopt Agenda

The agenda was adopted as presented.

4. Special Order of Business

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

There was no special order of business.

5. Public Comments

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

There were no public speakers.

6. Approval of Minutes

Action: Minutes from the March 24, 2015, meeting will be presented for approval.

Amend page 4 of the minutes, GASB 68, to state, "This is a reporting mandate, not a funding mandate."

Motion by Member Reinke, second by Member Berg, to approve the Board Audit Committee Minutes of March 24, 2015, as amended.

Vote: 5/0

Chair / Vice Chair

- 7. Discussion/Action: Updates** - Frank Biehl, Chair, and Patti Cortese, Vice Chair, will provide updates to the Committee as necessary.

No updates were presented under this item.

Senior Manager of Internal Controls

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

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

Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that training and support continues for all the sites. There are new student leaders and advisors that are

being trained, as has been done in year one and two. Year one was mandatory for specific positions: Principals, Associate Principals, Activities Directors, Athletic Directors and School Finance Clerks. Year two, called Phase 2 Training, was a training given to club advisors, students and coaches. Phase one and two training are now complete. Prior to the external audit, Kelly goes out to the sites and administers a pre-audit. As for the external audit, things are going well during the District's external audits.

Due to a change in software, ASB Works, on July 1, 2015, training on how to use the software is being provided to the School-Finance Clerks. ASB Works is a web-based system. For clarification, training administered by Kelly Kwong is compliance-based and a directive to those that seek reimbursement for incurred expenses. Training administered through Karen Poon's office is considered operational training, which is from a user's perspective. Site administration now has the ability with ASB Works to go online to view the entries. Trainings at the sites are occurring during lunchtime, which is restricted to a ½ hour of training time.

Members of the Committee asked questions regarding the security features of the web-based software. Karen Poon addressed the security concerns.

Chair Biehl asked that an item be placed on the next Audit Committee agenda. There is an ASB cash handling matter that deals with FCMAT regulations. Specifically, when an ASB organization raises money that is going to be donated to a group outside of the District. A specific example is an Interact Club that raises money, deposits it in an ASB fund and, then, they cannot get it out of the account due to a State law and FCMAT regulations. He indicated that there should be a way to work around the issue by providing proper procedures. It was requested that a report be provided at the next meeting as to what can be done to deal with the issue and what training is necessary.

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

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

Two cases were filed, case #18 and case #19 by the same individual. It was a personnel-related matter. There was a lot of correspondence regarding these cases. The matters now being handled by Human Resources.

10. Discussion/Action: Internal Audit Reports

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

A. FY16-01 Facility Use Audit Report

Kelly Kwong met with five school sites and interviewed District Office personnel. The results of those meetings are documented in the FY 16-01 Facility Use Audit Report. She has been working with Business Services on the recommendations.

Members of the Committee commented that the report is great and very comprehensive, but will the summary and conclusions become formal policy, rules regulations or administrative bulletin that can be enforced or measured. It is important enough that it should be formalized.

Superintendent Funk indicated that Associate Superintendent Battle is working on a process to make this an internal, in-house procedure at the District level where all the facilities use reservations will be handled through the District Office. The calendar will be maintained, fees will be consistently applied, and there will be a better sense of how much revenue is coming in.

Associate Superintendent Battle shared with the Committee that he is currently working with a vendor on an automated system that will integrate the facility use across the District to one system. Our customers will be able to access the information online. They will be able to view the site calendars. They will need to set up a profile. If they are a nonprofit, the system is tied into the IRS, which will be able to identify nonprofit organizations. Those applying for facilities use will be appropriately categorized and they will be given the correct rental pricing. The sites, if they have any special requirements, such as security, will be able to indicate such specifications. The system is web-based and will be centralized at the District Office. There will be a management person overseeing the facilities use reservation system and process.

Member Reinke indicated that the IRS does not know about nonprofits, they know about tax exempt organizations, which is a very important difference. There are many school-related organizations that are nonprofits, but not tax exempt. If the District is going to charge market rates to tax exempt organizations, there will be many school-related organizations that will need to go through the 501(c)(3) process. He asked that the District Office be careful about that distinction.

Marcus Battle indicated that the organizations would be appropriately categorized.

Kelly Kwong indicated that the District has a Board Policy and Administration Regulation regarding School-Connected Organizations, which requires organizations to get annual approval by the Board. Those that have already been approved by the Board are tax exempt organizations. The concern is for those organizations that are not on our school campuses, such as those groups that are not affiliated with the District or the high schools.

Member Berg questioned the 50% fee and if anyone has read the Civic Center Act.

Chair Biehl indicated that, when the Board Policy and Administrative Regulation was developed, it was in the context of the Civic Center Act and was reviewed by District's Legal Counsel. The District/sites are permitted to recover its operating costs. For the market base, the District/sites are able to recover their long-term costs, such as maintenance of the property. This also includes the cost of custodial support.

Chair Biehl asked that this item be brought back at the next Audit Committee Meeting for administration to report on the progress of facilities use, including a review of the Board Policies and Administrative Regulations on facilities use.

Chair Biehl suggested defining neighborhood groups and treating them with the same standard as a youth nonprofit organization. He asked that administration seek feedback from the sites and make a recommendation.

Vice Chair Cortese asked that the recommendation have a customer service feel to it.

B. FY16-02 Child Nutrition Services Audit Report

Kelly Kwong conducted an audit review of the Child Nutrition Services Program as a result of net loss in the Program.

Chair Biehl indicated that a consultant was hired to conduct an assessment of the Child Nutrition Services Program. The report provided by Kelly is better than the consultant's report. It is very detailed, specific, and provides recommendations; whereas, the consultant's report was very general.

Member Berg likes the report, including that there are accountability pieces in the report. His only question, "Is the District still contracting with an outside firm for vending services?"

Director Julie Kasberger stated that food vending, such as chips and jerky, is strictly internal. Drinks are not. Pepsi is bringing in water and Gatorade. The District does not have staff to service those machines.

Member Juchau asked if the report is going to be formalized into an Administrative Bulletin.

Chair Biehl would like to keep the item on the agenda and have administration report back at the next meeting on the progress made on the recommendations as noted in the report. The item will appear under the administration's section of the agenda.

Julie Kasberger indicated that an action plan has been put together for each of the recommendations. Many of the recommended items are in the process of being implemented and that there are timelines to phase in the recommendations.

Kelly Kwong shared with the Committee the difference between A and B categories in the report. Items in category "A" indicates that the item is critical enough that it requires follow up by Kelly. Items in category "B" are not material enough that follow up is optional. From a report back perspective, follow up will be done only on category "A" items.

11. Discussion/Action: Proposed Annual Audit Work Plan

Kelly Kwong, Senior Manager of Internal Controls, will present the Proposed Annual Audit Work Plan for 2015-16

Chair Biehl shared with the Committee that Kelly Kwong's contract requires that she provide on an annual basis a proposed Work Plan for approval by the Board of Trustees. It was felt that it would be best that the draft plan be presented first to the Audit Committee for their review before submission to the Board for approval.

Kelly indicated that items 1 through 6 in the Work Plan are new items. Item 7 are ongoing/continuous items.

Item 1: Staff Time Charged to Bond

There will be an assessment/audit of the allocation of individual's time charged to the Bond Program versus general fund. This will be based on what is submitted in the PARS Reports.

Item 2: Timeliness of Payables

This is not only payment to vendors, but also includes employee reimbursements. Business Services issues payment on a weekly basis. A “walk-thru” will be done on the payment process. Measures will be made on where there are possible delays.

Item 3: Facilities Rentals

An analysis will be made on this item in order to understand the revenue versus the cost. As the District is charging outside users for facilities use, an assessment on what is the actual cost with the facility rentals will be made.

Chair Biehl mentioned that sometimes a Custodian is required with a facilities use request, such as the opening of a room/building and/or for a weekend event. His concern is use of custodial time and fairness on what the organization is being charged. Another concern is the condition of the school fields after it has been used by an outside group. The fields are not always cleaned up after they have been used. He asked if organizations are being charged for custodial support and is the custodial work being done or are they being charged and the work is not being done. His concern is appropriate use of custodial time, while being paid for being on the site, as well as the facilities being cleaned after use by an outside organization. He would like to take a look at this, including if the right amount for custodial support is being charged in the rental agreement and are the funds being appropriately allocated. He also discussed the possibility of a cleaning deposit as part of the rental agreement. The District Office takes 15% from facilities use rentals for administrative costs. The remaining 85% goes back to the site. He is asking if that is the appropriate ratio and are long-term costs being covered. Once this is assessed, Board Policy and Administrative Regulation will be reviewed. He is advocating a gathering of information in order to address potential policy issues.

Item 4: Facilities Rental

(This was discussed under item 3.)

Item 5: Facility Work Orders

A review of the turnaround time for facility work orders will be conducted, including the timeliness of completion, which will be from an internal customer satisfaction perspective.

Chair Biehl indicated that the assessment would include:

- How many requests are there?*
- How long does it take to respond?*
- What are the standards we are trying to meet?*
- Is there a need for additional personnel/staffing?*

Superintendent Funk indicated that the District's work order system has the ability to pull the requested information.

Alternate Member Stephens asked that there be a mechanism in place where a person can check on the status of their request.

Item 6: Artificial Turf Maintenance

This item will be reviewed for a better understanding of the District's plan with artificial turf maintenance and how it is measured against industry standards, including if the schools are maximizing the life use of the artificial turf.

Ongoing projects:

A. Fraud, Waste and Abuse Hotline

- *Kelly continues to inform persons that information is available on the District's website on how to access the hotline.*

B. ASB

- *Training is ongoing for the ASB.*

C. School-Connected Organizations

- *The School-Connected Organizations are reviewed on an annual basis.*

Chair Biehl asked that more detail be provided under the ongoing projects section. If the Work Plan is ready, it can be placed on the September Board agenda for approval by the Board of Trustees. Also to be included in the Work Plan is any item that develops from the District's external audit.

External Auditor

12. Discussion/Action: Annual Audit 2014-15

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present an update.

External Auditor Joyce Peters informed the Committee that the external audit was completed this past June. Many of the issues were resolved during the audit. There is one item still pending. It is the Adult Education audit, which will occur in the beginning of September 2015. The plan is to review their cash receivables system. A report will be provided to the Committee once the audit has been conducted.

Joyce also mentioned that a financial audit will be performed in October, which will then conclude the entire audit. This should be concluded in time to report out to by the next Audit Committee Meeting.

This year the GASB 68 is a little different. In the past, the District has not recorded this number because the State has been able to extract the numbers, but the amount has always been entered in the audit report. It increases the revenue on behalf of what the State pays for the District and it debits payroll benefits. It is a wash for reporting purpose.

With GASB 68, they now want the District to record the amount in the general fund. This year, the behalf payment is \$5.5 million. It is a debit. The District increases its payroll benefit by \$5.5 million and it increases the State's grant by \$5.5 million. It is a wash. Since it will have to start being included in the District's general fund, it may have a slight impact on the available reserve calculation because it is 3% of the District's total expenditures. The District's expenditures will now increase by \$5.5 million. Some of the MOE calculations will be affected.

Chair Biehl asked, for clarification, if the District will have to record that particular amount and show that as part of the District's reserve.

Karen Poon stated that the reserve is based on general fund total expenditures. The District's expenditures will be increased by \$5.5 million, which will now be calculated in the general fund reserve percentage. The expenditure will be increased proportionately by \$5.5 million. The revenue is covered because it will be a wash.

Frank Biehl clarified that the District will have to increase its reserve by 3% of \$5.5 million.

Karen Poon affirmed the statement.

Superintendent / Associate Superintendent of Business Services

13. Discussion/Action: Child Nutrition Services

Marcus Battle, Associate Superintendent of Business Services, and Julie Kasberger, Director of General Services, will present the National School Lunch and Breakfast Program Administrative Review.

Julie Kasberger, Director of General Services, made a presentation to the Committee regarding the recent ESUHSD National School Lunch and Breakfast Program Administrative Review. The audit will occur every three years. Child Nutrition Services was notified in September, 2014, that there would be an administrative review/audit of the District's National School Lunch and Breakfast Program. The State and Federal government comes and reviews very specific areas of the program to ensure the District is in compliance. They want to ensure that the District is appropriately spending taxpayers'

dollars. There are five areas that are reviewed: meal accessibility and reimbursement; meal pattern and nutrient quality; resource management; general program areas (signage posted, civil rights adhered to, training, multiple languages for all documentation), and the summer seamless option (community feeding).

The District did very well this year. In the 28 years that Julie has been working in the field of child nutrition services, she has never had an audit where they have not had at least one finding on a meal application. East Side did not have one error on any of the 263 applications that were reviewed.

The three sites audited were Piedmont Hills, Yerba Buena and Wm. C. Overfelt High Schools. The staff at those sites did an incredible job, not only being prepared for the audit, but also answering the questions. Each day that the auditors returned from the sites, they were very impressed with the sites. The method used to select the sites for the audit, required the District to complete "pre-work" paperwork. The responses submitted by the District, determined the sites selected for the audit.

The review is a 54 page pre-test that must first be submitted electronically to the State and eight weeks in advance of the review date. During the audit, the auditors were stationed in the Lounge Conference Room. They were scheduled to be here for the entire week, but completed their entire audit in three days. The audit included a review of the Child Nutrition Services Program meal applications purchasing materials, sites and records.

East Side, because it is a large school district, operates with multiple federally funded program with the Supper Program. As a result of the District's Supper Program, there was also a comprehensive review that was administered. The Child Nutrition Services Program's financial records were audited. Every single PAR report was evaluated. They wanted to ensure that there was no comingling of federal dollars. They also wanted to ensure that no unauthorized purchased were made with the federal funds, as well as use of equipment solely for the purpose of Child Nutrition Services Program-related needs. The auditor was amazed by the review. As a result, there were no findings in the comprehensive review.

Pattie Cortese requested that Julie make a presentation to the Board of Trustees on the audit review. Superintendent Funk will ensure that the item is placed on the Board meeting agenda for a presentation to the Board of Trustees.

14. Discussion/Action: Fixed Asset Audit

Marcus Battle, Associate Superintendent of Business Services, and Andre Bell, Director of Purchasing and Capital Accounting, will present the results of the fixed asset audit performed by CPRS Fixed Asset and Inventory Solutions 2014-15 and the status of the recommendations in a matrix.

The District had, this past spring, a fixed asset audit performed by CPRS Fixed Asset and Inventory Solutions. The last audit was performed two years ago.

Assistant Director Andre Bell shared with the Committee what is being done to address the recommendations made in the audit. Based on the audit, there were six recommendations to improve fixed assets inventory. His office has been working with administration to address the recommendations and should be able to comply with the recommendations in the audit by March, 2016.

The recommendations are:

- *Develop a clear disposal process of assets*
 - *A review of the Administrative Regulation has been made, which will be amended for clarity on how to properly dispose assets.*
- *Develop a system to track portable assets, such as laptops, iPads*
 - *The District will be putting out an RFP for an asset management system, including a process/procedure when an employee leaves the District, notification is provided to Human Resources on items assigned to the employee, which must be collected prior to their departure from the District.*
- *Develop a system to assign assets to actual locations within a site*
 - *The new system allows assets to be assigned to a site, as well as room. The District will be able to run a report to determine how many assets are assigned to a particular room.*
- *Restructure the category and type library in the database to allow for more specificity on the list of assets*
 - *The new system allows for a larger list of asset categories. Assets will be categorized by type, model and manufacturer.*
- *Recommend assigning an employee to manage the fixed assets management system*
 - *The District hired a new Warehouse Specialist on August 24, 2015. The Specialist will perform 50% of his duties on the new Asset Management System.*

- *Move to a new fixed assets management system*
 - *The District is planning to solicit a Request for Proposal for an assessment management system. The proposal will be completed in September, 2015. The recommendation for a new system will be presented to the Board for approval at their October, 2015, Board Meeting. Once approved, the target date for system implementation is scheduled for March, 2016.*

Alternate Member Stephens asked if there is a way to relate problem tickets to asset items, such as laptops and iPads.

Andre Bell will check if the new system will be able able to integrate with the IT work order system in terms of the number of tickets submitted on a specific asset.

Member Reinke indicated that it would be useful information to have the ability to pull up problem tickets with a particular type of asset, such as a Dell computer.

It was asked if there is a possibility of theft with the asset inventory system.

Andre explained that one person receives the item and another person tags the item. It is not the same person performing both functions.

Audit Committee Business

15. Discussion/Action: Audit Committee Charter

Dan Juchau, Member, will present the Audit Committee Charter for review.

Member Dan Juchau presented the latest draft of the Audit Committee Charter. The changes that were previously discussed at the March, 2015, Audit Committee meeting have been included in the current draft.

Motion by Member Berg, second by Member Juchau, to accept the proposed draft revisions to the Audit Committee Charter.

Vote: 5/0

16. Discussion/Action Future Meetings

Audit Committee will schedule the next meeting dates and time.

The next meeting will be held on December 8, 2015, at 6 PM in Superintendent's/Board's Conference Room of the East Side Union High School District.

Vice Chair Cortese asked if it is possible to schedule more than just one meeting out.

The following future meeting dates were set by the Audit Committee:

- *March 22, 2016, at 6 PM – ESUHSD*
- *August 23, 2016, at 6 PM - ESUHSD*

17. Superintendent Communications/Comments

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

Marcus Battle reported that Moss Adams has been selected to perform the Bond Program audit. The initial kick-off meeting will be held in the next 1-2 weeks.

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.

Jon Reinke commented that, every time he attends an Audit Committee meeting, he is impressed with the level of professionalism by staff. "Our students deserve no less than that, and they are being well served."

Chair Biehl commented that he is impressed with the work of the Committee, as well as the work by staff. "We are setting the standard for other districts, including the Santa Clara County Office of Education."

19. Future Agenda Items

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

<i>Item</i>	<i>Date</i>	<i>Requested By</i>
<i>ASB Fundraising & Donating to Outside Group – Accessing ASB Funds</i> <ul style="list-style-type: none"><i>• What can be done?</i><i>• What is the necessary training?</i>	<i>December 2015</i>	<i>Frank Biehl</i>
<i>(to be listed under administration)</i> <i>Discussion/Action: Progress/Update on Internal Audit Reports</i> <ul style="list-style-type: none"><i>A. FY16-01 Facility Use Audit Report</i><i>B. FY16-02 Child Nutrition Services Audit Report</i>	<i>December 2015</i>	<i>Frank Biehl</i>

Calendared from prior meetings:

<i>Item</i>	<i>Date</i>	<i>Requested By</i>
<i>Appoint Subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Frank Biehl</i>

20. Adjournment

Chair Biehl adjourned the meeting at 8:09 PM.

Respectfully submitted,

Frank Biehl
Board Audit Committee Chair



Preparing every student to thrive in a global society.

ITEM 8

Audit Committee Meeting 12.07.15 Item 8 Associated Student Body (ASB)

California Department of Education's *Accounting Procedures for Student Organizations* states:

"Student body funds must, in general, be expended for the benefit of those students currently enrolled in school."

In addition, Fiscal Crisis and Management Assistance Team's (FCMAT) *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* states:

"ASB Accounts are not Pass-Through Accounts"

ASB accounts are not and should not be used as pass-through or clearing accounts. Money should only be deposited into ASB accounts if it is ASB funds (raised or donated to ASB) and will be used for appropriate ASB purposes. ASB funds are to benefit the student.

Donations

Donations to nonprofit organizations are not allowable because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds because they are raised through the district's tax identification number and under its nontaxable status. In general, fundraising that occurs on campus should be for the benefit of the ASB and not for other organizations.

However, a student group may organize a fundraiser to support an outside organization such as a charity as long as the fundraising event is clearly identified as raising funds to donate to that charity. All donations should be in the form of checks made payable to the charity and should be picked up by or delivered directly to the charity so that funds are not deposited into the ASB account.

If it is not possible to have the checks made directly to the outside organization, open a trust account within the ASB specifically for these donations (with district governing board approval), then write a check to the organization and close the account when the fundraiser is over. It is crucial to ensure that the district's governing board (not its designee) approves this fundraiser and that all paperwork associated with the fundraiser clearly documents that the only funds donated to the outside organization were those raised for that specific purpose. No funds from

East Side Union High School District Board of Trustees

J. Manuel Herrera, President Van Thi Le, Vice President Magdalena Carrasco, Clerk Frank Biehl, Member Lan Nguyen, Member
Chris D. Funk, Superintendent

other clubs, inactive accounts, or fundraisers not approved by the governing board should be donated to outside organization.

If the funds will be deposited into the ASB account, ensure that the governing board has approved the fundraiser. This is because if the governing board has determined that a specific expenditure will benefit the education of students by approving it, they have justified the expenditure as serving a public purpose and thus the expenditure is not considered a gift of public funds in the eyes of most courts.

The issue of a gift of public funds arises when a check is written from ASB and given or donated to another organization. “

For liability and supervision responsibility reasons, clear boundaries should be established and communicated when an event is a high school ASB club event versus an outside organization and whether District Board Policy 1330 Use of School Facilities and Administrative Regulation 1330 Use of School Facilities applies.

East Side Union School District

**Measure E, G, and I Bond Fund Performance Audit Report
for the Fiscal Years Ended June 30, 2014, and June 30, 2015**

Prepared by:

**MOSS ADAMS LLP
635 Campbell Technology Parkway
Campbell, CA 95008**

December 4, 2015

Board of Education
East Side Union High School District
830 North Capitol Avenue
San Jose, CA 95133

Subject: Measure E, G, and I Bond Performance Audit Report
for the Fiscal Years Ended June 30, 2014 and June 30, 2015

Dear Members of the Board:

This report presents the results of our performance audit of the East Side Union High School District's (ESUHSD or the District) 2015 Measure E, G and I Construction Bond (Bond Program) as required by California Proposition 39, the "Smaller Classes, Safer Schools and Financial Accountability Act" (Proposition 39), the California Constitution (State Constitution) Article XIII A, and California Education Code (Education Code) Section 15272. These California State (State) requirements specify that the proceeds from the sale of school facilities bonds are expended only on the specific projects listed in the proposition authorizing the sale of bonds (Listed Projects). Both the State Constitution and the Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. An annual financial audit is also required by these rules. Finally, Senate Bill 1473, "School facilities bond proceeds: performance audits" (SB 1473), approved by the Governor on September 23, 2010, amended California Education Code to add Section 15286, which requires that the annual performance and financial audits are conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States for financial and performance audits. This report also encompasses a review of the District Construction, Maintenance and Facilities Department's (Facilities) performance and controls surrounding the Bond Program for the Fiscal Year ended June 30, 2014, and the Fiscal Year ended June 30, 2015.

Executive Summary

We conducted this Construction Bond Program performance audit in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives. The performance audit objectives, scope, methodology, conclusions and a summary of the views of responsible District Officials are included in the report body.

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The performance audit procedures applied provided reasonable assurance, in accordance with GAGAS, that the Fiscal Year ended June 30, 2015, Bond proceeds were expended on construction related costs as identified in the Measure E, G, and I 2012 Official Statement, excluding Measure G expenditures totaling \$824,973 which were applicable under Measures E and I ballot language.

Additionally, as requested by the District, we evaluated the effectiveness and efficiency of internal controls to provide an analysis of the School Construction Program so that those charged with District governance and oversight can use the information to improve program performance and operations. We identified the following significant internal control deficiencies related to compliance with Bond Program requirements, effectiveness and efficiency of operations:

Expenditure Management and Controls

- Measure G expenditures totaling \$252,243 were noncompliant with Measure G's ballot language. The scope of work for two out of twenty-five Measure G expenditures tested was found to be unallowable per Measure G's ballot language and was applicable to Measure E. The District's legal counsel provided advice as to which projects could be charged under the terms of Measure E, G and I ballot language; however, two expenditures remained noncompliant with Measure G ballot language (see Objective No. 1 and 2 in the report body). Subsequent to the District's fiscal year end, these expenditures were transferred from the Measure G Bond Fund to the Measure E Bond Fund and are now compliant. The District has also taken action to search for similar expenditures to help ensure full compliance.

Bond Program Management

- The District design and construction budget management practices were compared to the Government Finance Officers Association's (GFOA) standards to measure effectiveness of controls surrounding the planning, designing and constructing of projects. The District would benefit from using a comprehensive facilities master plan for prioritizing and determining which projects should be funded through Bond Program Measures and other District funding sources (see Objective No. 3 in the report body).

Budget Management and Reporting

- The design and construction budget management practices were compared to GFOA standards to measure the effectiveness of controls surrounding Bond funded projects. The master plan was compared to actual projects for which Bond funds were expended. The District and SGI (Bond Program Manager) did not clearly define how construction cost estimates were developed for each school site's list of proposed projects. The sources of information the District and SGI utilized to

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determine their cost estimates were not included within budget documentation and could not be verified (see Objective No. 5 in the report body).

- Methods used to develop, support and approve project budgets and budget variances were analyzed. The District's Facilities Department compiles monthly Capital Improvement Program (CIP) Status Reports which include project scope narratives, construction schedule overviews, construction budget with expenditures incurred, business partners, and highlights and issues narratives. However, the CIP Report excludes key construction information such as adopted budget, budget adjustments, and a comparison of the current budget and schedule to the original budget and schedule. The CIP Report also does not include a summary of financial information by funding source (i.e., Measure, General Fund, etc.), but rather identifies projected cost and funding source by school site (see Objective Nos. 5 and 6 in the report body).

Procurement Controls and Contract Administration

- District policies and state laws were compared to Bond Program activities surrounding bidding, procurement and funding formula compliance requirements. The District has implemented policies and procedures for good practices regarding bidding and procurement for informal projects (i.e., projects with budgets of \$175,000 or less). However, the District's policy does not include the minimum number of bids required for formal projects (i.e., projects with budgets of \$175,001 and above) to ensure fair pricing and a competitive bid process (see Objective No. 7 in the report body).
- District procurement practices were compared to the California State School Requirements, Public Contracting Code, state and other relevant laws and regulations, and District procurement policies. The District's policy states requirements for informal and formal public projects. Noncompliance with District policies resulted in the following observations (see Objective No. 8 in the report body):
 - Charter-MP Buildings 1201-1223 Mini-Campus Modernization project (Measure I) was awarded to Calstate Construction for \$318,000; however, the District did not advertise for bids for three weeks as required by the policy for formal public projects.
 - Oak Grove High School Modernization Building U and I project's flooring contract (Measure E) was awarded to Harry L. Murphy, Inc. for \$95,595; however, this was the only bid received rather than the three required for informal public projects.
 - Mt. Pleasant's Stadium Fence Painting project (Measure G) was awarded to George E. Masker, Inc. for \$58,902; however, only two bids were received rather than the three required for informal public projects.

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Design and Construction Schedules and Timelines

- Project timelines were summarized from approval through completion. We validated the use of project milestones and identified failure to achieve them. Project schedules including original schedule, current schedule, recovery schedule and plans, and documented rationale for anticipated delays were not readily available for our review. Common causes for schedule delays resulted from delayed or extended procurement phases, contract change orders, and delays in legal counsel review of contract documentation. The District-wide Swimming Pool Modernization project was the most significantly delayed resulting from difficulties during the procurement process (see Objective No. 9 in the report body).

Change Management and Claims Controls

- The District policies, procedures and practices were evaluated to anticipate, identify, document and address potential claims. The District has Claims Management practices to address claims which have already been filed; however, it does not have a formal written procedure to identify areas of exposure that may lead to claims or an approach to prevent claims prior to being filed (see Objective No. 11 in the report body).

Bond Program Communication

- The GFOA best practices regarding communication of capital improvement strategies were compared to District practices. The District's main platform of communication is its website which, while sufficient, may not be utilized by a wide audience. Additionally, the website does not disclose any site accessibility or safety-related information that would be beneficial to the students, faculty and the community (see Objective No. 12 in the report body).
- Communication between the District, the CBOC and the Board of Trustees was compared against District policies and procedures and best practices per the GFOA. Communication regarding Bond Program planning, scheduling and budgeting was oftentimes limited to internal District staff rather than communicated in a way that would be meaningful to key stakeholders (see Objective No. 13 in the report body). Bond program areas that would benefit from improved communication include:
 - Bond Management Plan/Program – see Objective No. 3.
 - Proposed Design and Construction Cost Budgets – see Objective No. 5.
 - School Management and Construction Budgets – see Objective No. 6.
 - Design and Construction Schedules and Timelines – see Objective No. 9.
 - Evaluation of Public Outreach Program – see Objective No. 12.

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We also identified several good practices listed in indicated areas as follows:

Facilities Programming and Bond Program Management

Projected enrollment estimates were completed to evaluate the effect of population distribution on classroom requirements, parking, departmental relocation and master planning.

- The District had internal policies and procedures for its construction activities.
- The Board approved a Capital Program Reorganization Plan in 2013 to maximize the efficiency of its personnel. This Plan included modifications to in-house and external staff and had an anticipated \$1.3 million savings to the District per year.
- The District has design and construction standards which include general product and system requirements for materials, equipment, software, etc. to be incorporated within facilities District-wide.
- In 2013, the Board of Trustees (BOT or Board) approved the District's Capital Program Reorganization Plan to address the internal and contract staffing needs for the Bond Program. An assessment of staffing is conducted as part of the annual budgeting process to correlate staffing needs to the overall Bond Program.

Communication and Fulfillment of Site Expectations

- In July 2014, the District created a Bond Program Management and Implementation Plan which clearly defined roles and responsibilities and methodologies for efficient use of Bond Program funding.
- Public meetings of the Citizens' Bond Oversight Committee (CBOC) were held to update the community on the status of projects. The meeting minutes were posted on the CBOC website.
- The District's website was updated by Facilities and SGI to inform key stakeholders of the Bond Program Status by school site.

Change Management and Control

- Change Orders were documented in contract files. Project cost accounting included the original contract amount, change order amount and Board approval documentation.
- A change order approval process had been developed and implemented by the District's Facilities Department.

Procurement Controls and Contract Administration

- Management developed standards for contract approval within its Administrative Regulation No. 3311, which detailed who was responsible for approving contracts depending on the expenditure level.

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Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This report is intended solely for the use of District Administration and the District's Board of Education. Moss Adams LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We would like to express our appreciation to the Board and all members of the District's staff for their cooperation throughout this performance audit. Please contact Curtis Matthews at (503) 704-6943 if you have any questions regarding this report.

Sincerely,

Moss Adams LLP

Moss Adams LLP

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BACKGROUND INFORMATION

East Side Union High School District Approved Bond Funds

On March 5, 2002, the East Side Union High School District submitted for voter approval Measure G, a Bond Measure to authorize the sale of \$298 million in bonds to improve school facilities. The Measure was approved by 69.9 percent of the voters. Because the Bond Measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

Subsequently, on February 5, 2008, the East Side Union High School District submitted for voter approval another Bond Measure, Measure E, to authorize the sale of \$349 million in bonds to improve school facilities. Measure E was approved by 71.39 percent of the voters. Because the bond measure, like Measure G, was placed on the ballot in accordance with Proposition 39, it also required 55 percent of the vote for passage.

Finally, on November 6, 2014, the East Side Union High School District submitted for voter approval on Measure I, to authorize the sale of \$120,000 in bonds to improve school facilities. Measure I was approved by 71.55 percent of the voters. Because the Bond Measure, like Measure G and E, was placed on the ballot in accordance with Proposition 39, it also required 55 percentage of the vote for passage.

This report incorporates both the Facilities Program Management Review and the Performance Audit into a single composite report.

Accounting records for the Fiscal Year ended June 30, 2015, Bond Program showed Measure E, G, and I Bond Program expenditures of \$38,357,206 in the current year and \$544,401,787 in total Measure E, G, and I Bond Program expenditures for the life of the Bond.

California State Requirements

A Construction Bond Program performance audit is required for East Side Union High School District (ESUHSD) Measure E, G, and I Construction Bonds as required by California Proposition 39, the “Smaller Classes, Safer Schools and Financial Accountability Act” (Proposition 39), the California Constitution (State Constitution) Article XIII A, and California Education Code (Education Code) Section 15272. These California State (State) requirements specify that the proceeds from the sale of school facilities bonds are expended only on the specific projects listed in the proposition authorizing the sale of bonds (Listed Projects). Both the State Constitution and Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. An annual financial audit is also required by these rules. Finally, Senate Bill 1473, “School facilities Bond proceeds: performance audits” (SB 1473), approved by the Governor on September 23, 2010, amended California Education Code to add Section 15286, which requires that the annual performance and financial audits are conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States for financial and performance audits.

Proposition 39 was passed by California voters on November 7, 2000. Proposition 39 amended provisions to the State Constitution and to the Education Code. The purpose and intent of the initiative was “to implement class size reduction, to ensure that our children learn in a secure and safe environment, and to ensure that school districts are accountable for prudent and responsible spending for school facilities.” It provided for the following amendments to the State Constitution and Education Code:

- a) “To provide an exception to the limitation on ad valorem property taxes and the two-third vote requirements to allow school districts, community college districts, and county offices of education to equip our schools for the 21st Century, to provide our children with smaller classes, and to ensure our children’s safety by repairing, building, furnishing and equipping school facilities;
- b) “To require school district boards, community college boards, and county offices of education to evaluate safety, class size reduction, and information technology needs in developing a list of specific projects to present to the voters;
- c) “To ensure that before they vote, voters will be given a list of specific projects their bond money will be used for;
- d) “To require an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended for the specified school facilities projects; and
- e) “To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only, and not for teacher and administrator salaries and other school operating expenses, by requiring an annual independent performance audit to ensure that the funds have been expended on specific projects only.”

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this performance audit was to verify that ESUHSD was compliant with Proposition 39, which requires the District to expend the Measure E, G, and I Bond proceeds only on projects that were authorized via the voter ballot language, and not for school operating expenses for the District Fiscal Year ended June 30, 2015 (Fiscal Year 2015). Fiscal Year 2015 Measure E, G, and I Bond Programs expenditures totaled \$38,357,206 in the current year and \$544,401,787 for the Bond overall. We also assessed the District's controls and management of the Bond Program for Fiscal Year 2014 and Fiscal Year 2015.

We conducted this construction Bond Program performance audit in accordance with GAGAS. As required by GAGAS, we planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. The evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective. Because GAGAS performance audit procedures require reasonable assurance, and these audit procedures did not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud or illegal acts may exist and not be detected by us.

Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. Moss Adams LLP was not engaged to, and did not render an opinion on the District's internal controls over financial reporting or over financial management systems.

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We assessed Bond Program risks, controls design and controls operation, and tested expenditures for compliance. The performance audit methodology applied included the following:

1. Performance Audit Fiscal Year 2015

We reviewed the Bond Program's financial records and expenditures to verify that funds were used for approved Bond Program purposes as set forth in the ballot language, Bond documents, Board approved listed projects and Proposition 39 requirements. We began the review of the Bond Program's financial records and expenditures by obtaining the Comprehensive Annual Financial Report and comparing the balances to the District's detailed accounting records. We analyzed control processes, tested the Program expenditure cycle and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide a 90 percent level of confidence that expenditure transactions from the Bond Program were compliant with Program and legal requirements. We tested 75 expenditures totaling \$15,165,763. These transactions included payments to contractor and vendors, and journal entries of inter-fund transfers. Our testing procedures were performed to verify:

- Expenditures were for Listed Projects.
- Approval of payment applications and invoices.
- Expenditure compliance with approved contract, purchase order or other procurement documentation.
- Expenditures were recorded in a current, accurate and complete manner on the District's books and records.
- Expenditure allocability and allowability for allowance and contingency usage per sampled job contract language.

We also interviewed District and Bond Program personnel and analyzed key documentation to assess the design of controls over Bond expenditures, including review, authorization and oversight of the District's listed projects, contracts executed, accounting for Bond proceeds issued, and payments made and recorded for Fiscal Year 2015. The documents we analyzed to assess Bond Program risk and controls design included:

- Proposition 39 Bond language and Project Lists.
- The District's construction planning documentation.
- Board of Trustees meeting agendas and minutes.
- Applicable Construction Program contract documentation.
- Accounting for Bond Program proceeds and expenditures taken from the District's books and records.

We also verified that Fiscal Year 2015 Bond Program compliance controls operation and expenditures compliance included procedures for analysis of Board budgetary approvals for Bond Program expenditures and analysis and verification of accounting for Bond proceeds issuance, receipts and use on Board approved listed projects.

2. Payment Procedures

We verified District compliance with its policies and procedures related to Proposition 39 expenditures and payments for the period. We documented the use of Bond Program funds and segregation of these funds for Bond Program purposes, traced Bond funds received by the District and reconciled amounts received with amounts expended, and verified that these funds have been expended for Bond Program purposes. Payment approval and cost accounting controls design and operation were verified, including receipt of lien releases, segregation of duties, and controls to verify receipt of goods and services. Review for payment compliance with contract terms was conducted. We performed a search for duplicated payments and missed discounts.

We gathered and tested data to determine compliance and measure the effectiveness of payment controls. Selected contracts were reviewed to gain an understanding of payment processes, cycle time, allowable charges and reimbursable costs. Processes to review and approve contractor charges were analyzed to prevent excessive charges and overpayments, and payment applications were reviewed to assess the adequacy of supporting documentation. We also reviewed the field methods used to validate progress and percent complete.

3. Bond Management Plan/Program Including Quality Control

We assessed the design and performance effectiveness of program management processes and controls surrounding planning, design and construction of projects as compared to Government Finance Officers Association (GFOA) standards. Specific emphasis was placed on the implementation of policies, procedures and practices needed to ensure key deliverables and approvals occur as projects progress. We performed an evaluation of the current management program and plan design and control processes quality controls for specific projects from the start of the design phase to project closeout. Our assessment included, but was not limited to, review of the following:

- The current facilities master plan.
- The Bond Program Management and Implementation Plan.
- Design and construction budgets and schedules.
- The District's organizational structure and staffing plan.

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- Communication channels between District Management, the Citizen’s Bond Oversight Committee (CBOC) and the Board of Trustees.
- The District’s Design and Construction Standards List and incorporation within procurement documentation and inspection reports.

4. Use of the Best Practices Regarding the Planning and Construction of School Facilities and Bond Management Structure including Adequacy of Program Management Personnel and District Facilities Personnel

We reviewed the District’s policies and approach to in-house and consultant staffing for managing the Measures and the effectiveness of the staffing related to the number of Bond Program projects. We analyzed the organizational structure alignment between the program management team and the contractors, validating and evaluating processes for project reporting, communication, problem resolution, decision support, change order authorizations, scope of control and segregation of duties. This assessment included an analysis of the District’s Capital Program Reorganization Plan in comparison to the number of Bond Program projects. Methods to approve Program staffing were analyzed for completeness and scheduled projects were compared to the Bond Program master plan to ensure appropriate staffing according to project Bond Program needs. We also leveraged our experience with other school construction programs to compare District staffing levels to workload requirements.

5. Proposed Design and Construction Cost Budgets

We reviewed the District and SGI (Bond Program Manager) processes for the establishment of and adherence to Bond Program design and construction budgets. We compared design and construction budget management practices to GFOA standards to measure the effectiveness of controls surrounding Bond-funded projects. Bond Program budgets were compared to forecasted cost for planned projects. The accuracy of forecasts was validated by comparison to contractual commitments and estimated project costs. The basis for project budgets was validated for the use of reliable cost support in establishing budget estimates. We assessed whether financial and budgetary management reporting was current, accurate and complete.

We also reviewed the reconciliation of actual projects for which Bond funds were expended to projects approved by the Board of Trustees (BOT), analyzed the reconciliation of projects approved by the BOT to projects on the approved facilities master plan, reviewed the reconciliation of the facilities master plan on the approved project lists for Proposition 39, Measures E, G, and I, and followed up on any unreconciled items and reported any expenditures or items in the facilities master plan that did not reconcile to approved Bond Funds and Measure E, G, and I Listed Projects. We also assessed the use of site surveys for modernization to extend facilities life and to meet current educational standards across the District in comparison to the master plan.

6. School Management and Construction Budgets

We evaluated the actions taken by the District to apply policies and procedures that accomplish Bond Program schedule, quality, scope management and performance efficiency goals. Methods used to develop, support and approve project budgets were analyzed as well as budget variances and their reported causes. We reviewed Bond Program reporting as needed to provide current, accurate and complete cost, schedule, and budgetary information to Program stakeholders. Based on interviews and information gathered during the course of this performance audit, we conducted an analysis to determine whether there was executive oversight and involvement in each of the audited projects. This analysis reviewed the cost, schedule and budgetary reporting methodologies.

7. Current Programmatic Goals to Ensure Compliance with State Law, Guidelines, and Funding Formulas and District Guidelines for Bidding and Procurement

We reviewed District application of State law, guidelines and funding formulas for the use of applicable funding sources for Bond Program projects. This review included validation of compliance with funding source requirements as well as analysis for compliant application of available funds for the District to benefit from funds available for school construction projects. We analyzed the accounting methods applied to help ensure compliant cost segregation and allocation methods that comply with funding source requirements. Contracting methods applied were assessed for compliance with State requirements. Our analysis included the review of bidding and procurement actions and accounting for those transactions to validate District compliance with Public Contracting Code requirements, and other relevant laws and regulations. This bidding and procurement analysis helped address Bond Program procurement processes and controls compliance, effectiveness and efficiency.

8. “Best Practices” for Management of Procurement of Materials and Services in Order to Promote and Increase Efficient Use of Bond Funds

We verified that District bidding and awards of Bond-funded construction projects complied with the requirements of the California state school construction requirements, Public Contracting Code, and other relevant laws, regulations and good practices applied by other successful bond programs (based on our experience). Contract scope requirements, choice of contracting methods, supplier survey and selection criteria as well as documented selection methods applied were analyzed. Procurement controls were evaluated for application of competitive and compliant subcontracting practices that prevent excessive expenditures in procuring contractors and professional services. Specific consideration was given to competitive bidding, arm’s length transactions and substantiation for construction agreement cost analysis and pricing. We conducted interviews, reviewed relevant District procurement policies, and sampled bids and contractor selection files. We also selected a sample of subcontracts to

determine and assess the implementation of controls needed to achieve competitive subcontracting practices that are consistent with California school construction program requirements and best practices.

9. Design and Construction Schedule and Timelines

We reviewed the methods utilized by the District and SGI and their consultants to track the schedule of available revenues and expenditures for all projects and to plan each building project in accordance with the availability of funds. We analyzed existing schedule performance tracking methods as well as Bond fund expenditure schedules and sampled supporting documentation for expenditures and cost controls performance. Audit procedures included assessment of performance against schedule as well as controls that provide for reliable schedule reporting. We validated the use of project milestones and identified failure to achieve them, which included the impact of legal review schedules on Program projects.

10. Change Order/Claim Procedures and Results

Change order documentation was reviewed for compliance with the District's policies and procedures, Public Contracting Code, California school construction state requirements, the State Allocation Board's Best Practices and other regulations. Controls and activities to manage change orders were evaluated. Contracts were reviewed to gain an understanding of allowable charges and reimbursable costs related to change orders. Policies and procedures covering the review and approval of contractor change orders were analyzed to identify potential exposures. Specific consideration was given to change order cause, responsibility and pricing. We reviewed policies and procedures to verify whether documentation exists prior to approval of change orders and to verify that required approvals were applied. Selected change orders were tested for duplicated work scope and compliance with Proposition 39 requirements.

11. Procedures for Claims Avoidance

We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. The District's policies, procedures and practices were evaluated to anticipate, identify, document and address potential claims. Controls implemented to anticipate and take action to timely address claim exposures were identified and assessed. Specific consideration was given to contractor inquiries and capture of documentation surrounding scope change causes, schedule changes and cost impact analysis. We evaluated steps taken to communicate potential claims and mitigate claims risk.

12. Evaluation of Public Outreach Program

The GFOA's best practices regarding communication of capital improvement strategies were compared to District practices. We reviewed the various tools used by the District and SGI to communicate Bond Program plans to stakeholders, including communication with students, faculty and the surrounding community. We interviewed personnel to better understand the specific types of information flow that occur on campuses and in the surrounding communities. This analysis included an assessment of whether an ongoing level of communication is maintained regarding the projects and program. Bond Program performance transparency, consideration of stakeholder needs in project plans, predictability of program schedules, public safety interface considerations as well as information needed to understand construction impacts on local communities, students, parents and other stakeholders was assessed. ESUHSD public outreach practices were benchmarked against other successful bond programs.

13. Effectiveness of Communication Channels Among All Stakeholders within the Bond Program

Communication between the District, CBOC and BOT was compared to District policies and procedures and best practices per the GFOA. We assessed the communication processes utilized to gather and share information among Bond Program stakeholders in regard to Bond Program projects selection, prioritization, performance and delivery of program results. The design and application of external and internal communication plans were assessed. Communication of how projects fit into the prioritized master plan and Bond Program requirements were assessed. Means to achieve effective communication between those responsible for construction and the school sites were reviewed. We reviewed District activities and methods of communication related to the identification of stakeholders as well as their concerns, influence on the project and information expectations. Use of District means to reach Bond Program stakeholders were compared to good practices at other school districts. We evaluated the overall transparency of the Bond Program and methods of communication, including but not limited to the evaluation of the Bond website information, Bond Program progress reports, availability and access to information regarding Program status and expenditures. Current, accurate and complete reporting Bond Program progress reporting was assessed. Project progress, impact to Bond Program stakeholders and delivery in accordance with Bond Program requirements was given specific consideration.

Interviews

We interviewed key personnel responsible for administering the Bond Program, including senior management and staff from the District and the Bond Program Management Team responsible for overseeing the work associated with the Bond Program. The individuals interviewed are listed in Appendix A of this report.

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AUDIT RESULTS

Objective No. 1 – Performance Audit Fiscal Year 2015

Observation: Expenditures totaling \$252,243 for Measure G projects were found to be noncompliant with Measure G’s ballot language. In review of twenty-five Measure G expenditures for Fiscal Year 2015, we identified two instances where the listed projects within the ballot language did not directly correspond to the nature of the expenditures. Potential exceptions were reviewed with the District and its legal counsel, who provided advice as to which projects could be charged under the terms of Measure E, G, and I ballot language. As a result of this discussion, the following two exceptions were confirmed:

No.	Expenditure Date	Project	Scope	Amount	Payee
1	09/11/14	G-040-802 – WC Overfelt – Asphalt/Concrete	New parking lot paving	\$186,274.77	Duran & Venables
2	09/11/14	G-030-802 – James Lick – Asphalt/Concrete	New parking lot paving	<u>65,968.21</u>	Duran & Venables
Total				<u>\$252,242.98</u>	

Measure G does not include parking lot paving projects for the above school sites. However, these expenditures would have been allowable under Measure E ballot language.

Improvement Recommendation: ESUHSD should have controls and procedures in place to ensure that purchase order numbers for projects are properly recorded within the accounting system and that projects funded through a particular Measure are allowable per the listed projects of the ballot language. Subsequent to the District’s fiscal year end, these expenditures were transferred from Measure G Bond Fund to the Measure E Bond Fund and are now compliant. The District has also taken action to search for similar expenditures to help ensure full compliance.

Objective No. 2 – Payment Procedures

Observation: Payments were made for Measure G expenditures that should not have been allowable based upon the ballot language. Additional controls should have been implemented to ensure that projects were properly aligned with the appropriate Measure’s ballot language (see Objective No. 1 for additional details).

Improvement Recommendation: The District should ensure that controls are implemented during the project initiation phase to ensure that purchase orders are included within the appropriate Measure per the ballot language.

Objective No. 3 – Bond Management Plan/Program Including Quality Control

Observation: In July 2014, SGI created a Bond Program Management and Implementation Plan (Implementation Plan) for the District, which detailed roles and responsibilities of District personnel, communication and document control policies, Program budget and cost control expectations, schedule management processes and other key Bond Program management responsibilities.

The District did not utilize a comprehensive facilities master plan when determining which projects would be funded through Bond Program Measures and other District funding sources. Budgets for projects funded, or partially funded, by Measures E, G, or I were independently assessed by school site administrators and SGI (before being approved by the Superintendent’s Council) rather than incorporated into a facilities master plan that captures the original project budget, scope, and prioritization by school site and in total for each Bond Measure. Below is a summary of the section of this report that corresponds to additional exceptions related to Bond Program Management:

- 1) Use of Best Practices Regarding the Planning and Construction of School Facilities and Bond Management Structure (see Objective No. 4)
- 2) Proposed Design and Construction Budgets (see Objective No. 5)
- 3) Design and Construction Schedules and Timelines (see Objective No. 9)
- 4) Effectiveness of Communication Channels Among All Stakeholders Within the Bond Program (see Objective No. 13)

Improvement Recommendation: The District should use a facilities master plan which includes the identification of District needs, estimated project cost and funding sources, prioritization of projects and a strategic plan to meet the needs of the District, both financially and based on practicality. The GFOA recommends that multi-year capital plans include the above information as a way to streamline and organize the planning process and that they cover a period of at least three years, preferably five or more for long-term planning. The list of prioritized projects should reconcile to the funds available for planned work.

Objective No. 4 – Use of the Best Practices Regarding the Planning and Construction of School Facilities and Bond Management Structure Including Adequacy of Program Management Personnel and District Facilities Personnel

Observation: The District’s Capital Program Reorganization Plan (the Plan) was proposed to the BOT on October 17, 2013, and addressed the internal and consultant staffing (i.e., SGI and Construction Managers) needs of the District and provided a description of the roles and responsibilities of personnel identified. A cost analysis was also performed to determine the impact of staffing changes on Bond-related payroll expenditures. Staffing needs are assessed as part of the annual budgeting process to determine if the internal and consultant staffing correlates to the Bond Program. Additionally, during each project’s procurement phase, the need for construction management resources is assessed to provide coverage where the District may not have internal staff to manage Bond Program projects. We found no exceptions.

Objective No. 5 – Proposed Design and Construction Cost Budgets

Observation: The District did not utilize a facilities master plan when determining the prioritization and budgeting/funding of its projects as recommended by the GFOA and commonly practiced by school districts. SGI does create worksheets for each proposed project by Measure, which detail preliminary cost estimates and identify specific proposed budgets for soft construction costs (e.g., architect fees, consultant costs, etc.) and hard construction cost based on available funding.

It is unclear how hard cost estimates were developed for each school site’s list of proposed projects. Hard construction cost estimates were developed by the District and its estimating consultant. However, cost estimates were not supported with any analysis or complete information as to how the estimates were determined.

Improvement Recommendation: The District should maintain a comprehensive master plan as a way to clearly identify priorities, project scope, estimated budget, anticipated schedule, and other pertinent project budgetary and planning information for the overall Bond Program. Specifically related to proposed budgets, the GFOA recommends that proposed budgets include estimated costs based on recent and accurate sources of information. The District should include this practice in their development of design and construction budget estimates. Documentation supporting the cost basis for project budgets should be maintained by the District and should be relevant to the type of construction project for which it is used.

Objective No. 6 – School Management and Construction Budgets

Observation: The District’s Facilities Department compiles monthly Capital Improvement Program (CIP) Status Reports which include project scope narratives, construction schedule overviews, construction budget with expenditures incurred and business partners as well as highlights and issues narratives. District practices pertaining to management and reporting of design and construction budgets can be improved to increase the effectiveness of controls surrounding bond funded projects as identified in the following observations:

- 1) Project budget adjustments are provided by construction managers and reviewed by the District’s Facilities Department and reported within the CIP Report. The CIP Report includes information such as the current project budget and the forecasted schedule; however, it excludes key construction information such as adopted budget, budget adjustments (change orders and anticipated future commitments), and a comparison of current budget and schedule information to the original Board-approved budget and schedule. As a result of the exclusion of this key construction information, this reporting methodology was not consistent with GFOA recommended practices and adversely impacted end users’ and key stakeholders’ ability to understand project and Bond Program actual performance compared to the planned and projected outcomes.
- 2) The CIP Report does not include a summary of financial information by funding source (i.e., Measure, General Fund, etc.) for the overall Bond Program, but rather identifies projected cost and funding source per school site. Additionally, the CIP Report includes a horizontal bar chart that graphically shows total expenditures by project. However, this chart does not state, in dollars, the total expenditures to date per project. Exclusion of this information prevents users of the financial reports from having a clear understanding of the cost incurred to date. Furthermore, the report does not distinguish expenditures and budgets by Measures E, G, or I, which prevents key stakeholders from understanding expenditure compliance for each Bond Program Measure.

Improvement Recommendation: The GFOA recommends that project status reports include, at a minimum, (1) a comparison of actual results to the project plan, (2) percent of project completed, (3) percent of project budget expended, (4) progress on key project milestones, (5) contract status information, (6) available bond program funds and expenditure activity, (7) cash flow for each funding source, (8) commitments and related funding, (9) available appropriation, (10) comparison of results in relation to established performance measures, and (11) highlight significant changes to project scope or costs in order to properly inform District Management, the BOT, the CBOC and other end users. We recommend adoption of GFOA guidance and segregation of expenditures by Bond Program Measure. Additionally, deviations from the original Bond Program budget by key construction component should be clearly documented and explained for easy end user reference. Financial overviews by project should include narratives, charts and graphics, and provide clear information about capital plans, with key assumptions applicable to available Bond Program funds and expenditures highlighted.

Objective No. 7 – Current Programmatic Goals to Ensure Compliance with State Law, Guidelines, and Funding Formulas and District Guidelines for Bidding and Procurement

Observation: The District’s funding formulas were consistent with State requirements. The District has implemented policies and procedures regarding bidding and procurement for public projects with budgets of \$45,000 or less and informal projects (i.e., projects with budgets of \$45,001 through \$175,000). With regard to formal projects (i.e., projects with budgets of \$175,001 and above), the procurement process did not align with typical construction industry practices. Traditionally, a competitive bid process includes (1) bid solicitation, (2) receipt and evaluation of all bids, (3) shortlisting of between three and five firms, and (4) final selection of the lowest responsible bidder, which may include interviews, to ensure fair pricing and similar adequate work experience. The District utilizes its prequalified vendor list to solicit bids and to alleviate the process of continuously reviewing firms’ qualifications. However, the District does not require a minimum number of bids for its formal projects. For District projects we reviewed, two out of the six formal projects (Measure G – W.C. Overfelt – Asphalt/Concrete, and Measure E – Oak Grove Building U), or 33 percent, had fewer than three bidders for construction services. Typically, we see school districts apply competitive market pricing by following the aforementioned process and selecting the lowest price from qualified bidders.

Additional information regarding the application of the District’s bidding and procurement procedures can be found within Objective No. 8.

Improvement Recommendation: The District should update its procurement policy to include minimum bid requirements for formal projects that will ensure a competitive bid process. District policies should also be updated with required steps to be taken in the event that they do not receive the minimum number of bids required to ensure that pricing is justified and to avoid noncompliance with their policies. District work scopes should be well-defined and bidder qualifications should be vetted. This will allow for greater transparency of the procurement process, a level of assurance that pricing is competitive and that the selected contractor has the qualifications and experience that the District desires. Where exceptions to policy may apply, this should be disclosed to the Board when recommendations for selection are made.

Objective No. 8 – “Best Practices” for Management of Procurement of Materials and Services in Order to Promote and Increase Efficient Use of Bond Funds

Observation: The District’s Administrative Regulation No. 3311, which details procurement policies, stated that formal public projects (i.e., projects with budgets of \$175,001 and above) required a three week solicitation period and informal public projects (i.e., projects with budgets of \$45,001 through \$175,000) required a minimum of three bids. However, from our sampling, we observed the following areas of noncompliance with Administrative Regulation No. 3311 policies:

Formal Public Projects

- 1) Measure I – Calstate Construction was awarded the Charter-MP Buildings 1201-1223 Mini-Campus Modernization project in the amount of \$318,000. However, the District only advertised for fifteen days prior to the bid closing date rather than the required three week solicitation period.

Informal Public Projects

- 2) Measure E – Harry L. Murphy, Inc. was awarded a flooring contract for Oak Grove High School Modernization Buildings U and I in the amount of \$95,595; however, this was the only bid received rather than the three required.
- 3) Measure G – George E. Masker, Inc. was awarded Mt. Pleasant – Stadium Fence Painting in the amount of \$58,902; however, only two bids were received for this scope of work rather than the three required.

Improvement Recommendation: The District should implement controls to ensure that District policy requirements regarding bid advertisements and minimum bidder requirements are adhered to in order to ensure fair and competitive bidding practices and to prevent excessive Bond Program cost. The basis and justification for agreed-upon procurement pricing should be evident and well documented. District policies should also be updated with required steps to be taken in the event that they do not receive the minimum number of bids required to ensure that pricing is justified and to avoid noncompliance with their policies. Where exceptions to policy may apply, this should be disclosed to the Board when recommendations for selection are made.

Objective No. 9 – Design and Construction Schedule and Timelines

Observation: Through review of documentation and interviews conducted, we were able to determine that schedules have been developed in two phases: 1) SGI developed initial schedules which included timeframes for project requirements such as procurement, design, construction and project closeout, and 2) construction managers and contractors developed and maintained detailed construction schedules. Projects sampled as part of the Bond performance audit experienced numerous impacts to their schedules; however, the most common causes identified as part of this performance audit included:

- 1) Delayed or Extended Procurement Phase – In some instances, the procurement phase of a project had been delayed to accommodate the school’s faculty and student educational needs. Project schedules required extension to address facility accessibility constraints and related impact on student education. Conversely and less frequently, the District extended bid and procurement timelines to allow for work to be re-priced to better align with Board-approved budgets.

The District-wide Swimming Pool modernization project was the most significantly delayed project due to an extended procurement phase as bids received were higher than the Board-approved budget. This impacted the overall construction schedule and inherently increased the budget. Through interviews conducted, we were informed that SGI, the District and its construction managers and/or contractors review construction schedules on a monthly basis and determine what changes are required to develop a recovery schedule and plan should it be required. Per the District’s Bond Program Management and Implementation Plan, “The Bond Program Manager shall periodically update the Master Project Schedule, compare actual to planned progress and prepare a report to the Supervisor’s Council.” However, evidence that this level of review occurred was not provided to us.

- 2) Change Orders Resulting in Time Extensions – While change order documentation rarely included time extensions, changes for critical path items and site accessibility impacted contractors’ abilities to perform their duties in a timely manner and consequently impacted schedule performance.
- 3) Delays in Finalizing Contract Terms – Legal counsel often took one to three months to review each request for contract terms analysis. For certain contracts, longer periods were experienced in finalizing contract terms. For example, the Independence High School Performing Arts Center Building F took approximately seven months for contracts to be in an agreeable format with necessary language. Similarly, the District-wide Swimming Pool modernization project required significant legal review which spanned a fourteen-month period until the projects were approved and underway.

Communication between the District Facilities personnel (including SGI and its consultants) and District Purchasing, the Superintendent and the public was not timely and detailed enough to address the magnitude and cause of schedule modifications.

Improvement Recommendation: Immediate corrective action should be taken to address or mitigate root causes of adverse schedule impacts. The District should maintain schedule information for each project that includes the original schedule, project milestones, current schedule, recovery schedule (if applicable) and a documented rationale for any material schedule delays. This should be communicated within the CIP Report on a monthly basis to inform key stakeholders. Additionally, project schedules should reflect master plan project priorities. Change order impacts on critical path items should be specifically addressed. District resource augmentation needed to facilitate agreement on contract terms and related contract administration should be assessed. Procurement process improvements will also help to facilitate more timely completion of desired projects (see Objectives 7 and 8).

Objective No. 10 – Change Order/Claim Procedures and Results

Observation: The District’s change order policy includes good practices and other applicable state requirements as well as approval authority limitations. We found no exceptions.

Objective No. 11 – Procedures for Claims Avoidance

Observation: The District had Claims Management procedures to address claims after they had been filed. However, there was no formal written policy to identify action to be taken to prevent or limit claim exposures. Construction related claims have many causes and often arise as a result of unresolved change orders, differing site conditions, or as a result of disruptions, delays, acceleration and other time-related issues that require timely monitoring, planning and effective actions needed to avoid claims.

Improvement Recommendation: Written policies and procedures for claims avoidance should be prepared and utilized. As there may be many root causes for claims, the claims avoidance policy should include a detailed process that the District follows to identify the areas of exposure that may lead to claims and steps to be taken to prevent claims such as document control requirements, identification of appropriate communication channels, and proactive cost, schedule and quality control procedures to avoid claims, where possible.

Objective No. 12 – Evaluation of Public Outreach Program

Observation: Per the GFOA, “Organizations should consider strategies that utilize multiple methods of communication to reach different audiences.” The District’s website included key information regarding the Measure E, G, and I ballot language, tax rate statements, the role of the CBOC and their meeting minutes, project information and other related news. However, other media platforms were not utilized. Additionally, the District’s website did not include safety information regarding road closures and other facility accessibility impacts that would be beneficial to the safety of students, faculty and the surrounding community of the District.

Improvement Recommendation: The District should consider modifying its communication plan to include a more varied approach to public outreach and communication that will reach a wider range of people (rather than simply those who look at the District website) and provide them with timely updates about the Measure E, G, and I Bond Program. The District should also update its communications to include site accessibility and safety-related information in an effort to protect its students, faculty and community and ensure a safe construction environment.

Objective No. 13 – Effectiveness of Communication Channels Among All Stakeholders Within the Bond Program

Observation: Communication amongst District management and other stakeholders of the Bond Program varied. The District’s reporting and communication channels (i.e., CBOC and BOT meeting minutes, monthly CIP reports and other similar communication channels) are a starting point for improved visibility and transparency. However, communication regarding Bond Program planning, scheduling and budgeting was oftentimes limited to internal District staff rather than communicated in a manner that would provide meaningful information to key stakeholders. Bond program areas that would benefit from improved communication include:

- 1) Bond Management Plan/Program Including Quality Control – see Objective No. 3.
- 2) Proposed Design and Construction Cost Budgets – see Objective No. 5.
- 3) School Management and Construction Budgets – see Objective No. 6.
- 4) Design and Construction Schedules and Timelines – see Objective No. 9.
- 5) Evaluation of Public Outreach Program – see Objective No. 12.

REPORTING VIEWS OF RESPONSIBLE OFFICIALS

Management response to be provided by ESUHSD

DRAFT

APPENDIX A – INTERVIEWS PERFORMED

The following key personnel were interviewed:

- East Side Union High School District (ESUHSD) Director of Construction, Maintenance and Facilities
- ESUHSD, Manager, Capital Purchasing
- ESUHSD, Manager, Capital Budgeting
- SGI Construction Management, Bond Program Manager
- Rehon & Roberts APC, ESUHSD External Legal Counsel

DRAFT



Preparing every student to thrive in a global society.

ITEM 13

Child Nutrition Services Audit Report (FY16-02) - Update

Child Nutrition Services (CNS) received an Internal Audit review during the spring of 2015. The following nine audit observations and recommendations were noted. This is an update and timeline for these findings.

1. Lack of actual to budget by site, month and management reports

In progress through March 2016

2. Lack of district inventory management system

In progress through April 2016

3. Competitive bid and contract price

In progress through February 2016

4. Manual payroll lacks positive confirmation

In progress through March 2016

5. Lack of point of sales system for a la carte items

In progress through 2017-18 school year

6. Need to automate and analyze production plan and results

In progress through 2017-18 school year

7. Vending machines lack segregation of duties

In progress through February 2016

8. Daily meal counts and deposits reconciliation

In progress through March 2016

9. Free and reduced lunch applications

Completed October 2015



**EAST SIDE UNION HIGH SCHOOL DISTRICT
Board Audit Committee - December 7, 2015
Detail of Terms Appointed**

Name	Title	Term(s) Appointed	Current Term Expiration Date	Years of Service
Frank Biehl	Chair	As Appointed Annually	December 10, 2015	
Pattie Cortese	Vice Chair	As Appointed Annually	December 10, 2015	
Dan Juchau	Member	1 st term Feb. 2010 – Jan. 2011 2 nd term Feb. 2011 – Jan. 2013 3 rd term Feb. 2013 – Jan. 2015 4 th term Feb. 2015 – Jan. 2017	January 31, 2017	7
Bruce Berg	Member	1 st term Feb. 2010 – Jan. 2012 2 nd term Feb. 2012 – Jan. 2014 3 rd term Feb. 2014 – Jan. 2016	January 31, 2016	6
Jon Reinke	Member	1 st term Feb. 2012 – Jan. 2014 2 nd term Feb. 2014 – Jan. 2016	January 31, 2016	4
Frank Stephens	Alternate Member	1 st term Jan. 2015 – Jan. 2016	January 31, 2016	

Per Audit Committee Charter, revised pending approval at December 10, 2015 Board meeting:
Public member terms will be for two years. The alternate public member term will be for one year. In order to coincide with the annual presentation of the external audit report to the Board, public member terms shall begin on February 1 and end two years later on January 31 or when the Board appoints a new member, whichever is later. Public member's terms will be staggered so that all terms do not start and end at the same time. Immediately after the initial appointment of the three public members, the Board shall determine by lot which two of the public members shall serve an initial term of two years with the third public member serving an initial term of one year. The maximum number of consecutive years a member may serve is nine. A termed out member is eligible for appointment again after not serving for at least one year.



ITEM 15B

EAST SIDE UNION HIGH SCHOOL DISTRICT SEEKS AUDIT COMMITTEE APPLICANTS

The District invites applications from persons interested in serving on the school district's Audit Committee. Applicants must reside within the boundaries of the East Side Union High School District and meet other qualifications set forth in the Audit Committee Charter. The Board of Trustees will be appointing two committee members with a two-year term from February 1, 2016, through January 31, 2018, and one alternate with a one-year term from February 1, 2016, through January 31, 2017. Committee members currently serving in these positions may apply to be reappointed.

Interested community members may apply during the application period by submitting the following:

- An introductory cover letter summarizing why you should be considered for this appointment.
- A completed Audit Committee Membership Application.
<http://www.esuhsd.org/BoardAdmin/Board-Audit-Committee/index.html>
- The applicant/nominee will be required to provide written responses to the questions listed below:
 1. *Briefly describe any professional or community experience that you believe qualifies you to serve on the Audit Committee. You may attach a current resume.*
 2. *Briefly describe any previous experience/involvement with the East Side Union High School District and/or other public schools.*
 3. *Briefly state why you are interested in serving as a member of the Audit Committee for the East Side Union High School District.*
 4. *Briefly describe your understanding of the role of the Audit Committee.*

Applicants/nominees are invited to review the Audit Committee Charter at:

<http://www.esuhsd.org/BoardAdmin/Board-Audit-Committee/index.html>

DEADLINE FOR SUBMISSION OF MATERIALS:

5:00 PM, January 7, 2016

For questions, contact:

Frank Biehl, Board Trustee, via e-mail at biehlf@esuhsd.org

Send application materials by mail, fax, e-mail or personal delivery to:

ESUHSD Audit Committee
c/o Mary Guillen
East Side Union High School District
830 N. Capitol Avenue, San Jose, CA 95133
E-Mail: GuillenM@esuhsd.org
Fax: 408.347.5015

**EAST SIDE UNION HIGH SCHOOL DISTRICT (“ESUHSD”)
SAN JOSE, CALIFORNIA
AUDIT COMMITTEE MEMBERSHIP APPLICATION**

First Name _____ Last Name _____

Home Address _____ City _____ State _____ Zip Code _____

E-Mail Address _____ Phone # _____

Instructions: Please respond to the following questions. Attach additional sheets if necessary. All applicants must respond to all questions in the Conflict of Interest Questions portion below and sign and date this application.

1. Briefly describe any professional or community experience that you believe qualifies you to serve on the Audit Committee. You may attach a current resume.

2. Briefly describe any previous experience/involvement with the East Side Union High School District and/or other public schools.

3. Briefly state why you are interested in serving as a member of the Audit Committee.

4. Briefly describe your understanding of the role of the Audit Committee.

CONFLICT OF INTEREST QUESTIONS *(All applicants must respond)*

1. Within the last two years, have you been employed with the ESUHSD? Yes ___ No ___
2. Within the last two years, have you sold goods or services to the ESUHSD? Yes ___ No ___

If “Yes,” please explain: _____

3. Within the last two years, have you owned or had a direct and material interest in an entity, or held a leadership position in any entity, which provides goods or services to the ESUHSD pursuant to a purchase order or contract ? Yes ___ No ___

If “Yes,” please explain: _____

4. Are you a close or immediate family member of anyone who would be prohibited from serving on the Audit Committee under (1) through (3) above? (Close or immediate family members include parents, siblings, nondependent child, spouse or domestic partner, or dependent (whether or not related). Yes ___ No ___

The above responses to the Conflict of Interest Questions are true and correct.

Signed: _____ Dated: _____

The Governing Board may grant an exception to a potential conflict of interest, if, after full disclosure to the Board, the potential conflict is found not to be material.

Applicants should review the Audit Committee Charter, a copy of which is available at the District’s Education Center or online at:
<http://www.esuhd.org/BoardAdmin/Board-Audit-Committee/index.html>