

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

December 7, 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 6:03 PM by Chair Frank Biehl.

Committee members present for the 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*
- *Mary Guillen*
- *Linda da Silva*
- *Andre Bell*

Presenter present:

- *Joyce Peters, External Auditor – VTD*
- *Curtis Matthews, Partner at Moss Adams, LLP*

Public present:

- *Nick Leon*

2. Introductions

Chair Biehl extended a welcome to the Audit Committee.

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 under this section.

6. Approval of Minutes

Action: Minutes from the August 25, 2015, meeting will be presented for approval.

Motion by Member Reinke, second by Member Berg, to approve the Board Audit Committee Minutes of August 25, 2015, as presented.

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 present guidelines regarding donations to outside organizations.

Kelly Kwong, Senior Manager of Internal Controls, presented to the Committee guidelines regarding donations to outside organizations.

Nick Leon, a member of the community, presented his concerns.

Associate Superintendent Marcus Battle discussed fundraising by ASB and donating to outside organizations. A draft Administrative Bulletin, Associated Student Body (ASB) and Fundraising for Outside Organizations, was presented to the Committee for their review. Discussion was held regarding fundraising for outside organizations. Mr. Battle indicated that these funds cannot be comingled with ASB funds, unless a Board approved trust account has been established for that fundraiser. A trust account is only for a limited amount of time for a specific fundraising activity. Once funds have been raised, a check is issued to the cause being supported and then the account is closed out. The Administrative Bulletin provides guidelines on how to set it up and that funds cannot be comingled into a regular ASB account.

Nick Leon, a member of the community, presented his concerns regarding fundraising by the Interact Club. He indicated that Interact Clubs are sponsored by Rotary, but they are school clubs. He asked that the District consider 30 days for closing the account.

Member Reinke suggested that if club is going to donate as a charitable activity, the donation should require pre-approval by the Board of Trustees.

Superintendent Funk suggested having a designee review/approve the charitable activity and Board ratify after the fact. It was also suggested that site advertising for the charitable event be specific; that it is not for ASB students and is for an outside organization. Persons need to know who they are contributing to and the purpose.

Chair Biehl suggested that administration move forward with the Administrative Bulletin and place this item on agenda at the next meeting for further discussion. It was also suggested and incorporating some of the feedback into the Administrative Bulletin.

Administration will look further into this item and provide an update at the next meeting.

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.

There have been no reports filed since the last report out. The system is active and current.

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.

External Auditor Joyce Peters presented the draft unaudited actual financial reports for 2014-2015. She asked the Committee to review the draft and provide feedback to her by the end of week with any comments/concerns. She discussed the new report format. There were no findings in the reports.

Member Berg pointed out the statement on page 14, first paragraph, regarding the 2014-15 9,931 AP exams taken by 5,100 students. That is significant. The District should get some accolades for their hard work.

Superintendent / Associate Superintendent of Business Services

11. Discussion/Action: 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.

Curtis Matthews, Partner at Moss Adams, LLP, presented his findings on the bond performance audit. They used a rather extensive scope for their audit. They completed their audit based on compliance with Proposition 39 and also by the criteria set by the District's outline. It was also mentioned that they are required by the state to verify that the funds were used for approved Bond Program purposes as stated with the bond.

They looked at all expenditures and at the Bond language to verify if the expenditures were or were not compliant. They sampled 3 million expenditures out of 8 million expenditures across the Bond Programs. They found the District to be generally compliant. They did find two exceptions within Measure G, which related to expenditures applicable to a different bond it could be applied to. As soon as they brought it to the District's attention, the discrepancy was remedied by moving monies from one Bond to another Bond Program. They also looked for those types of expenditures to see if there were more expenditures of that same nature that needed to be moved from one Bond to another Bond Program.

They also looked at Bond Program management and budget management reporting. One observation was the District's use of the Master Plan that guides the program as a whole.

The District is doing things beyond what Prop 39 requires, which is a good thing. This is a great statement about the District.

All their recommendations are an opportunity to take a good Bond Program and make it better. They saw a lot of prioritization of projects, the least important to the most important.

In the area of procurement, the basics are being followed. In terms of the bidding process, the District is at some risk. There were certain procedures not being followed consistently through their sampling, which should be followed. Also, in getting support when there is not the requisite number of bids for projects, there needs to be an explanation as to why it is being paid and what is being paid. If one bid is received, an analysis of that one bid still needs to be made and also looking at the cost of that construction. That is one area that needs to be looked at for some alternative means, such as a list of qualified bidders.

Page 3:

Another item is the CIP Report. It is recommended that the CIP Reports be more complete.

Page 4:

They looked into delays in schedules and timelines. There were four primary root causes for delays in projects. One is extended procurement. Another site requested delays where access has been an issue for the construction. Another is change orders. There is also a review by legal counsel, which can take quite some time looking at the terms and conditions of contracts.

They also looked into change management and claims controls. The District's change order process is pretty good – looking at the cause, cost, who is responsible and what is the process. In the area of claims avoidance, specifically procedures, the District does not have any procedures on how to avoid claims, how to address potential issues, which could become a claim before they become a claim. It is recommended that procedures be developed.

In terms of communication, the District has a great facilities website with a lot of really good information. Some of the information that could be better disseminated by other means is what is being suggested. For example, there is a newsletter on the website. It was suggested that it be disseminated in electronic format.

Some of the good practices include: good enrollment estimates; capital reorganization plan; design and construction standards; policies and procedures for the Bond Program; public

meetings held are good; change order controls; and procurement has good approval controls in place.

Mr. Matthews stated that there are some good opportunities for improvement.

An update on the Bond performance audit will be made at the next Audit Committee meeting. The report will be presented to the Board of Trustees, as well as CBOC.

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.

The new Facilitron online facility use system became available for public use on December 4, 2015. Available of facilities is real time and can be viewed by date. Supporting document/required documents to accompany the reservation/request can be uploaded to the system. Payment for the facility use can be made by credit card or check. The new Facility Rental Manager has been hired. The public can also view online an image of the facility prior to renting the facility.

A presentation on the system will be made to the Audit Committee at their next meeting, including a usage date report.

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.

Julie Kasberger presented a progress update on the recommendations from the Child Nutrition Services Audit Report FY 16-02 to the Audit Committee. Nine areas of buckets were found that needed to be looked into. Within each bucket, there were recommendations. There were a total of 51 recommendations. A list of the recommendations with a target date of when the recommendation will be completed and the person responsible was developed. Items number five and number six, point-of-service items, will be pushed out to 2017-2018 because the Ed Tech Bond will be covering those costs.

As for the salad bars, the students are enjoying them. The current issue is that salad bars must be located indoors. Creative solutions are being developed at the sites in order to provide salad bars indoors.

Budgeting was previously decentralized at the sites. It is now centralized, including the submission and approval of supplies orders at central office.

A progress report will be provided to the Audit Committee at their August 23, 2016, meeting.

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

The second reading of the changes to the Audit Committee Charter will be presented to the Board at their meeting of December 10, 2015, for review and adoption.

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

A list of Audit Committee Members, their terms and when they are up for reappointment was shared with the Committee. Members who are reapplying to serve on the Committee can submit an email indicating that they wish to reapply, as long as there have been no changes to their conflict of interest statement.

16. Discussion/Action: Future Meetings

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

There is a conflict with the March 22, 2016, meeting. The Committee will be polled for a new meeting date via Doodle Poll.

17. Superintendent Communications/Comments

- Chris D. Funk, Superintendent

Superintendent Funk thanked the Business Office for all the work they've done. He thanked Kelly Kwong for all her hard work in putting the meeting together, as well as her ongoing support outside of the Audit Committee.

- Marcus Battle, Associate Superintendent of Business Services *(no comment provided)*

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

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

Item	Date	Requested By
<i>ASB Fundraising & Donating to Outside Group – Accessing ASB Funds</i>	<i>March, 2016</i>	<i>Frank Biehl</i>
<i>(to be listed under administration) Discussion/Action: Progress/Update on Internal Audit Reports A. FY16-01 Facility Use Audit Report B. FY16-02 Child Nutrition Services Audit Report</i>	<i>March, 2016</i>	<i>Frank Biehl</i>
<i>Online Facility Use Demonstration & Data Use Information</i>	<i>March, 2016</i>	<i>Committee</i>
<i>Update: Bond Performance Audit</i>	<i>March, 2016</i>	<i>Frank Biehl</i>

Calendared from prior meetings:

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

20. Adjournment

Chair Biehl adjourned the meeting at 8:10 PM.

Respectfully submitted,

*Pattie Cortese
Board Audit Committee Chair*