

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

September 12, 2017

6:00 PM

East Side Union High School District
Education Center

Superintendent's Conference Room
830 Capitol Avenue, San Jose, CA 95133-1398

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

Chair Pattie Cortese called the meeting to order at 6:02 PM.

Committee members present for roll call:

Chair Cortese, Vice Chair Nguyen, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens

Staff present:

- *Marcus Battle*
- *Kelly Kwong*
- *Silvia Pelayo*
- *Julie Kasberger*
- *Mary Guillen*

Presenter present:

- *Joyce Peters, External Auditor – VTD*

2. **Introductions**

Chair Cortese extended a welcome to members of the Audit Committee and audience. Each Committee Member and members of the audience introduced themselves.

3. **Adopt Agenda**

There were no changes to the agenda.

4. **Special Order of Business**

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

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

Minutes from the April 4, 2017, meeting will be presented for approval.

Motion by Member Juchau, second by Member Berg, to approve the Board Audit Committee Minutes of April 4, 2017, as presented.

Vote: 5/0; motion carries

External Auditor

7. Discussion/Action: Annual Audit 2016-17

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the 2016-17 engagement letters and the scope of work to be performed for the annual financial audit and the bond audit reports. Also, the results from the recent school site testing will be provided.

Joyce Peters, External Auditor, shared with the Committee that there are a few items that are pending and that she will follow up in the final audit; everything is on track.

Chair / Vice Chair

8. Discussion/Action: Updates

Pattie Cortese, Chair, and Lan Nguyen, Vice Chair, will provide updates.

Proposed amendments to Board Policy #3460 Financial Reports and Accountability is to clarify the role of the Senior Manager of Internal Controls as it relates to working directly with the ESUSHD Board of Trustees.

Superintendent / Associate Superintendent of Business Services

9. Discussion/Action: Child Nutrition Services Audit Report

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 dated August 21, 2015, originally presented to the Audit Committee on August 25, 2015, with an update on December 7, 2015. A presentation will also be given about the Point of Sale System for a la carte.

Julie Kasberger discussed the 9 findings as identified in Child Nutrition Services Audit Report FY 16-02.

Findings 1, 2, 4 and 8 have to do with the capabilities of our current system. With the financial management system out for RFP, they will be moving forward on those four areas as soon as the financial system is in place.

Finding 5 is the a la carte system, which she will go into greater detail in her presentation to the Audit Committee.

Finding 7 is close to being done. Julie will be able to report at a future meeting.

The following is a summary of the presentation on the Point-of-Sales System (POS) for A La Carte Items.

- *A Point of Service (POS) is a computerized accountability system, “cash register”*
- *Phase 1 installation was completed in August, 2016. Terminals were installed on all reimbursable meal lines. Reimbursable meal information consolidated to district totals.*
- *POS directly connected to student information system*
- *Phase 2 installation date is September, 2017. Terminals installed on all a la carte lines. A la carte sales information and reconciliation of money. All POS in CNS Program are equipped with a terminal.*
- *A la carte provide additional foods and beverages outside the reimbursable meal*

- *Additional points of service and food choices*
- *Opportunity for student work experience*
- *\$800,000 income annually*

10. Discussion/Action: New Administrative Bulletin ASB Ticket Control Log

Marcus Battle, Associate Superintendent of Business Services, and Silvia Pelayo, Director of Finance, will present the new Administrative Bulletin No. 014 Associated Student Body (ASB) Ticket Control Log.

New Administrative Bulletin 014 (AB 014) ASB Ticket Control Log was presented to the Audit Committee. This is an accountability system/guidelines for event ticket control. The tickets have monetary value, which are stored in a safe by the School-Finance Clerk.

Reconciliation:

- *Identified/logged on a form are the first and last ticket number*
- *Keep log to track the numbers*
- *Used by School-Finance Clerks and Activities Directors*
- *A check and balance; separation of duties*
- *VTD will audit yearly three sites*
- *Broken sequence in ticket numbers will result in holding persons accountable; resulting in a follow up with the individual*

The Committee requested a follow up on the monitoring/outcome of the roll out of AB 014.

Senior Manager of Internal Controls

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

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

Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that she offers updated ASB training as needed/requested by staff. The Committee discussed uniformity in the reimbursement process.

12. Discussion /Action: School Connected Organizations

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on School Connected Organization matters.

The annual renewal deadline for School Connected Organizations (SCOs) is October 1. All SCOs have been notified of the renewal deadline date. A courtesy reminder is scheduled to be sent out. Kelly Kwong reviews the renewal application(s) and presents to Associate Superintendent Battle for consideration/approval of annual renewal.

13. 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.

The fraud, waste and abuse hotline is in process of being renewed. The new three-year contract will terminate on September 6, 2020; a total cost of \$7,665 (approx. \$,2,500/yr).

There have been two calls received since the last meeting; both issues have been resolved. For the record, Kelly Kwong indicated that she responds via the hotline system to reporters, but reporters do not log back into the system to retrieve their message(s).

14. Discussion/Action: Internal Audit Reports

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

A. FY17-1 Bond Fund: Expenditure and Payment Procedures Audit Report

Kelly Kwong complimented Business Services for engaging outside consultants on a performance audit that is performed every other year, including the diligence and willingness to implement the audit recommendations. She also commended them for their implementation of the accounting management financial system and the Echo Sign system.

B. FY17-2 Bond Fund: Conflict of Interest Audit Report

Recommended change is that all sign a Conflict of Interest Statement.

C. FY17-3 Employee Other Reimbursement Audit Report

Board Policy #3314 indicates that a receipt(s) must be submitted when requesting reimbursement.

D. FY17-4 Payroll Operational Review Follow-up Audit Report

There were no questions by the Committee on this item.

E. FY17-5 Credit Cards Audit Report

Discussion held regarding the use of District-issued credit cards and the idea of an official approved list of authorized credit card users/signers.

F. FY17-6 Employee Travel and Conference Audit Report

There were no questions by the Committee on this item.

G. FY17-7 Employee Car Allowance and Mileage Reimbursement Audit Report

Discussion was held regarding direct links to Board Policies and Administrative Regulations in BoardDocs, instead of linking to a PDF document. This will ensure that staff and public view the most current version.

Kelly Kwong informed the Committee that these audit reports will be presented to the Board at their September 19, 2017, meeting under "Written Reports."

15. Discussion/Action: Proposed Annual Audit Work Plan

Kelly Kwong, Senior Manager of Internal Controls, will present the Proposed Annual Audit Work Plan for 2017-18.

Chair Cortese asked that the proposed Annual Audit Work Plan include what is still open (still in parking lot). Senior Manager of Internal Controls indicated that she keeps a remediation log in order to track the progress of previously issued audit reports.

Items 1-3 in the proposed Work Plan are new priorities and item 4 is the work of ongoing/open reports.

Reviewed annually is the funding of the Senior Manager of Internal Controls, which currently are 75% general fund and 25% bond.

Audit Committee Business

16. Discussion/Action: Future Meetings

Audit Committee will schedule the next meeting date and time.

The next Board Audit Committee will be held on December 5, 2017, at 6:00 PM in the ESUHSD Superintendent's Conference Room.

Additional dates set by the Committee are as follows:

- *March 27, 2018, at 6 PM*
- *April 3 will remain as an option if March 27 does not work out*

17. Superintendent Communications/Comments

- Chris D. Funk, Superintendent
- Marcus Battle, Associate Superintendent of Business Services
 - *Mr. Battle thanked Mr. Stephens for serving on the committee for the bond program management selection process. He also thanked Mr. Reinke for serving on the Director of Finance interview panel.*

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.

Alternate Member Stephens shared his concerns after recently serving as a committee member on the bond program management selection process. He will be following up with an email regarding his concerns to administration. Associate Superintendent Battle indicated that areas that were problematic will be reviewed for refinement in process(es).

19. Future Agenda Items

Recurring calendar item:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>

20. Adjournment

Chair Cortese adjourned the meeting at 8:00 PM.

Respectfully submitted,



*Pattie Cortese
Board Audit Committee Chair*