

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## Minutes of Meeting

Approved

Board Audit Committee

December 2, 2014

6:00 PM

East Side Union High School District

Education Center

Superintendent's Conference Room

830 Capitol Avenue, San Jose, CA 95133-1398

### 1. Call to Order /Roll Call

*The meeting was called to order at 6:02 PM by Chair Carrasco.*

*Committee present:*

*Chair Carrasco, Vice Chair Biehl, Member Berg, Member Juchau, and Member Reinke. Alternate Member Phan arrived at 6:40 PM.*

*Staff present:*

- *Marcus Battle*
- *Kelly Kwong*
- *Karen Poon*
- *Mary Guillen*

*Presenter present:*

- *Joyce Peters, External Auditor - VTD*

### 2. Introductions

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

### 3. Adopt Agenda

*Motion by Vice Chair Biehl, second by Member Reinke, to move item 12 under item 4 "Special Order of Business."*

*Vote: 5/0*

**4. Special Order of Business**

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

*Item 12 was heard under this section. (see item 12 for minutes)*

**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 August 27, 2014, meeting will be presented for approval.

*Motion by Vice Chair Biehl, second by Member Berg, to approve the Board Audit Committee Minutes of August 27, 2014.*

*Vote: 5/0*

**Chair / Vice Chair**

- 7. Discussion/Action: Updates** - Magdalena Carrasco, Chair, and Frank Biehl, 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. Administrative Bulletin No. 09 Physical Inventory ASB, which was approved on September 9, 2014, will be provided.

*Kelly Kwong, Senior Manager of Internal Controls, presented to the Committee the latest version of Administrative Bulletin No. 09 Physical Inventory ASB, which was approved on September 9, 2014. The update includes input received from the External Auditor. It was*

*clarified that, for transparency purposes and in order to reconcile with ending inventory, merchandise that is given away as a complimentary item and not sold must also be recorded as part of the inventory process.*

*Phase 1 training went well last fiscal year. This fiscal year will be phase 2 training, which includes club advisors and coaches. So far, training has been conducted at three sites and has been successful. There are two sessions held at each site: day session for certificated staff and evening session for coaches.*

**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.

*The contract for the fraud, waste and abuse hotline has been renewed. The service rate is the same as last year; there is no increase in the service rate. There is a direct link to the hotline on the District website, as well as from the school sites.*

*Also, since the last update, there have been no reports of fraud, waste and/or abuse.*

**External Auditor**

**10. Discussion/Action: Update by External Auditor regarding the Annual Audit 2013-2014**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present a draft unaudited actual financial report for the fiscal year 2013-2014.

*The final draft of the audit report was shared with the Committee. This year, there are no audit findings. There are no State of Federal compliance findings. There is no financial report finding, but there is an audit adjustment to the building fund.*

*Vice Chair Biehl requested the following:*

- *Instructional minutes at each site*
- *Clarification on how Small but Necessary Schools are identified, as an alternative or continuation schools*

*Administration will provide Vice Chair Biehl a response.*

**11. Discussion/Action: Update by External Auditor regarding the SARC FIT Reports**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the final resolution of which Facility Inspection Tool (FIT) report takes precedence for the School

Accountability Report Card (SARC), either the District's or Santa Clara County Office of Education's FIT version.

*A copy of Counsel's legal opinion regarding which Facility Inspection Tool (FIT) report takes precedence for the School Accountability Report Card (SARC), the District's or Santa Clara County Office of Education's FIT version, was shared with the Committee. Joyce Peters, External Auditor, indicated that, per her conversation with Legal Counsel, Ed Code does not state the District must use the County Office's version of the FIT tool. Since the District has a Board approved document to back up their data, the District's version of the FIT tool is acceptable.*

**Superintendent / Associate Superintendent of Business Services**

**12. Discussion/Action: Oak Grove High School Band Boosters Request for Bingo Fundraiser**

Marcus Battle, Associate Superintendent of Business Services, will seek discussion and recommendations on Oak Grove High School Band Boosters request to resume hosting bingo as an ongoing fundraiser on District property.

*Marcus Battle, Associate Superintendent of Business Services, discussed the Oak Grove High School Band Boosters' revocation in the spring as a boosters organization. There were some issues and concerns that were brought to the District's attention. Kelly Kwong, Senior Manager of Internal Controls, has been working very closely with the Oak Grove Band Boosters to review those issues and try to mitigate as many issues as possible. Most of the issues were mitigated, with many of them being in the financial area and transparency around financials and accountability. All those issues were addressed. The Oak Grove Boosters bingo permit had also expired. When they were reinstated as a boosters, they were reinstated, with the exception of bingo. Since that time, they have received their permit by the San Jose Police Department to have bingo. Kelly Kwong presented the information to Superintendent's Council for their review. At this point, the District is comfortable moving forward with the Oak Grove Band Boosters ability to provide bingo, once again, but the District does have some conditions that would be part of any lease agreement with the Boosters.*

*Item 12 in the Audit Committee's packet has a list of the issues. Some of the District's requirements are compliance with San Jose Municipal Code and California Penal Code relating to bingo and gaming type events. Given past experience, there was an armed robbery at the bingo site. There is a request to have a site armed security on site during bingo nights. The District's facilities use fee will be revisited, including custodial costs.*

*There will also be a quarterly financial review to make sure that everything is running smooth and that there is an accountability of financial records.*

*Amy Guzules, President of the Band Boosters, indicated that the issues that she inherited have been "ironed out." The persons now on the Boosters' Board are really on top of things. The fact that they were able to get their nonprofit status back in an astonishingly short amount of time shows that they are able to get things done. The Boosters is really looking forward to starting bingo again. It is the life of their program. If they don't have bingo, they don't have marching band. It really gives the kids a place to belong and it keeps them busy. The Oak Grove Band Boosters hopes that the Audit Committee gives approval to start bingo again so that they can continue to provide the funds that the program needs in order to operate.*

*Bingo is run by the Oak Grove Band Boosters, but the money is kept separate. When a donation is made, the money goes from the bingo account to the Oak Grove Band Boosters general fund. Bingo is primarily a cash operation and there are also debit card abilities.*

*Vice Chair Biehl thanked the Oak Grove Band Boosters for stepping up and doing all this hard work. He indicated that the District has a fiduciary responsibility to ensure that good cash handling and accounting procedures are followed, including the proper systems to do that. He indicated that he is comfortable with the requirements that have been added.*

*Vice Chair Biehl asked Ms. Guzules if she was comfortable with the requirements. She indicated that, in talking with Kelly, she was familiar with most of the requirements, but that she did need to find out about facilities use fees. She knows a little of what was being charged last year. She wanted to have a discussion regarding the armed security. When she spoke with the permit officer at the San Jose Police Department (SJPD) and mentioned that she had a retired SJPD officer working security at bingo and school-related events, he indicated there was an issue.*

*Member Berg clarified that this is a secondary employment issue. The policy on the ability for officers to perform overtime/assignment of work hours is based on a rotational basis.*

*The Oak Grove Band Boosters will look into clarifying the security issue with SJPD.*

*Kelly Kwong indicated that the Boosters submitted in October a September year-to-date financial report to her. The plan is to provide Kelly a report as of December in the month of January 2015. They are going to try this plan for a couple of quarters. Kelly also indicated that she has been working closely with the Boosters to help them reconcile their financials*

*and making sure they tie it back to their bank statements. She also mentioned that the Boosters has engaged an external CPA firm to handle their taxes.*

*As provided to other boosters, Kelly has provided the Oak Grove Boosters templates to use. The Boosters is using QuickBooks software to maintain their information. She reminded the Audit Committee that the Boosters is a separate legal entity; they not dictate to the Boosters. The Committee needs enough information to feel comfortable and confident that the Boosters is managing well and that they know where is their money.*

*Ms. Guzules indicated that the CPA firm is going to show them the proper way to use the software so that the information is appropriately reported.*

*Member Berg asked where is bingo held?*

*Per Ms. Guzules, the Band Boosters holds bingo in the small gym at Oak Grove High School.*

*Member Berg asked it is legal to hold bingo on school property.*

*Vice Chair Biehl asked for this question to be researched and an answer reported back at the next meeting.*

*Kelly indicated that the permit issued by SJPD lists the bingo location on the permit, Oak Grove High School, small gym, which also includes the address of the school. The two citing sources, San Jose Municipal Code and California Penal Code do not stipulate a prevention of a location.*

*Member Berg indicated that California State Education Code does stipulate a prevention of location.*

*Member Juchau asked, "What is the frequency of bingo?"*

*Ms. Guzules indicated that bingo is held once a week.*

*Member Juchau also asked if the IRS Determination Letter was reviewed by the District.*

*Kelly indicated that a copy of the letter was provided by the Boosters and that they are publicly listed on the IRS website.*

*Vice Chair Biehl mentioned that, about two years ago, the facilities usage fees for profits and non profits was reviewed and a revised fees schedule was developed so that there would be uniformity across the District based on the variety of uses. There is a substantial discount for youth-oriented events. The rates are set at market prices with a 50% discount for youth-oriented events. There is also a cost for custodial usage.*

*Vice Chair Biehl asked about the level of insurance being carried by the Boosters for the activity and the Facilities Use Application.*

*Marcus Battle, Associate Superintendent of Business Services, indicated that it will be taken care of once they enter into a new lease agreement.*

*Motion by Vice Chair Biehl, second by Member Reinke, that the Audit Committee recommend the Board's approval of staff recommendation to issue a one-year permit with the reviews and conditions as listed below:*

1. *Compliance with:*
  - (a) *San Jose Municipal Code Chapter 6.16*
  - (b) *California Penal Code Section 326.5*
2. *Required on site security law enforcement, not private security firm*
3. *District facilities use fee, including custodial cost*
4. *Quarterly financial review*

*The motion includes a review by Legal Counsel to make sure all is in order. Marcus Battle will follow up with Legal Counsel. This action is contingent upon Legal Counsel's review and approval.*

*Vote: 5/0*

**13. Discussion/Action: Business and Non-instructional Operations Board Policies 3000 Series**

Marcus Battle, Associate Superintendent of Business Services, will present a status update on the new, amended and deleted 3000 – Business and Non-instructional Operations Board Policy Series.

*The 3000 Board Policies have been updated and adopted by the Board of Trustees. There are a couple of outstanding policies that are still under review by Counsel that will be taken to the Board for adoption at a later date.*

**Audit Committee Business**

**14. Discussion/Action: Audit Committee Members -- Terms Served**

Audit Committee will review the terms served by each Member in accordance to the Audit Committee Charter.

*The Charter will be reviewed prior to the March 24, 2015, Audit Committee Meeting for any proposed changes to the Charter. Thereafter, the review of the Charter will be conducted annually in December. This will be a standing item on the December agenda. At the meeting which is held prior to the December meeting, a subcommittee will be appointed to review the Charter for proposed recommendations to be presented at the December meeting.*

**15. Discussion/Action Future Meetings**

Audit Committee will schedule the next meeting dates and time.

*The next meeting will be held on March 24, 2015, at 6 PM in Superintendent's/Board's Conference Room of the East Side Union High School District.*

**16. Superintendent Communications/Comments**

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

*No item(s) to report under this section*

**17. Audit Committee Member Comments**

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

*No items reported under this section*



**18. Future Agenda Items**

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

<b>Item</b>	<b>Date</b>	<b>Requested By</b>
<i>Review terms of members in Charter</i>	<i>March 24, 2015</i>	<i>Frank Biehl</i>
<i>What are the instructional minutes at each site?</i>	<i>March 24, 2015</i>	<i>Frank Biehl</i>
<i>Bingo on School Campus – Is it legal? (check with Legal Counsel)</i>	<i>March 24, 2015</i>	<i>Frank Biehl</i>

*Calendared from prior meetings:*

<b>Item</b>	<b>Date</b>	<b>Requested By</b>
<i>Report on copiers – cost savings</i>	<i>Spring 2015</i>	
<i>Appoint subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Frank Biehl</i>
<i>Review Charter</i>	<i>December (annually)</i>	<i>Frank Biehl</i>

**19. Adjournment**

*Motion by Vice Chair Biehl, second by Member Berg, to adjourn the meeting.*

*Chair Carrasco adjourned the meeting at 7:32 p.m.*

*Respectfully submitted,*



*Frank Biehl  
Board Audit Committee Chair*