

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

March 12, 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 6:06 PM by Chair Carrasco.

Present were: Chair Carrasco, Vice Chair Biehl, Member Berg, Member Juchau, and Member Reinke. Alternate Member Phan arrived at 6:20 PM.

Staff members in attendance were:

- *Chris Funk*
- *Marcus Battle*
- *Karen Poon*
- *Kelly Kwong*
- *Linda da Silva*
- *Andre Bell*
- *Donna Bertrand*
- *Janice Unger*
- *Mary Guillen*

Presenter:

- *Joyce Peters, External Auditor - VTD*

2. Introductions

A welcome was extended to the current, reappointed and newly appointed members of the Audit Committee. All present introduced themselves to new Alternative Member Anthony Phan. Alternate Member Phan introduced himself to the Committee.

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.

Item 15 was moved upon the agenda to be heard under 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 comments.

6. Approval of Minutes

Action: Minutes from the December 13, 2013, meeting will be presented for approval.

Motion by Member Juchau, second by Member Berg, to approve the Board Audit Committee Minutes of December 13, 2013.

Vote: 3/0, Vice Chair Biehl and Member Reinke abstained because they were not present at the meeting.

Chair / Vice Chair

7. Discussion/Action: Updates - Magdalena Carrasco, Chair, and Frank Biehl, Vice Chair

No updates were made under this item.

Senior Manager of Internal Controls

8. Discussion/Action: Status on Senior Manager of Internal Controls' Work Plan and Findings

Kelly Kwong, Senior Manager of Internal Controls, provided the Committee an update on the items on her Work Plan and findings.

ASB training and development (key focus)

The Finance Clerks continue to meet on a monthly basis and rotate their meeting between the school sites. The next meeting will be held at Evergreen Valley High School. A retreat is being planned for the School Finance Clerks. The Business Office is working on an ASB Procedures Manual.

Bond Programs

Kelly Kwong continues to support management on all bond-related matters. Kelly attended the CBOC meeting of January 14, 2014. The next CBOC meeting is scheduled for April 8, 2014, at Wm. C. Overfelt High School.

Lease/Use of Facilities

This item is in process. Visits were made to four schools. The Civic Center Act is being reviewed for compliance.

Expenditure (Expense) Reports

Kelly will be waiting until the end of the fiscal year to present the report as a fiscal year end report.

Purchase/Credit Cards

Kelly will be waiting until the end of the fiscal year to present the report as a fiscal year end report.

Other

Support to management is being provided as requested.

9. Discussion/Action: Cash Handling and ASB Debit Balances

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on cash handling and ASB debit balances at school sites including the trainings hosted to date.

Training at 100% for the designated positions. A lot of training is being done which is bringing out many questions by the audience. Kelly is very pleased by the support that is being given.

Member Berg indicated that there is a breakdown in training with either the Activities Director or the Athletic Directors, specifically with the training of Coaches in the area of cash handling.

Superintendent Funk indicated that he would review the Coaches packet and training to make sure that cash handling is tied to the training.

10. 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 of fraud, waste or abuse to-date. The Fraud, Waste and Abuse Hotline was advertised in the Business Office Newsletter and is also posted on the District's website.

11. Discussion/Action: School Connected Organizations

K Kelly Kwong, Senior Manager of Internal Controls, will present an update in regards to School Connected Organizations annual application in accordance with Administrative Bulletin No. 3.

Kelly is performing an audit of the compliance of school-connected organizations within the District per Administrative Bulletin #3. There are a few that are still under review for compliance.

External Auditor

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

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the 2013-2014 engagement letter and the scope of work to be performed for the annual audit with key dates. Results from the recent school site testing will be provided.

External Auditor Joyce Peters indicated that this year three sites were selected for an audit in early February, James Lick, Evergreen Valley and Mt. Pleasant High Schools. Audited were ASB and attendance accounting information. It was indicated that inventory should be done at least once a year.

James Lick High School

- *Some deficiencies in store inventory counts*
- *Count sheets are not reconciling – closing and opening counts*
- *Recommending periodic inventory*
- *Attendance not being taken by some; issue will be rectified by administration*

Evergreen Valley High School

- *Deficiencies in store inventory counts; they aren't taking inventory; no record; unable to audit*

Mt. Pleasant High School

- *Minor issue: Packing slips should be turned in for inventory purposes*

VTD will be coming in June for two weeks to perform the interim internal controls audit. The final audit will be performed in September 2014 for two weeks.

13. Discussion/Action: LCAP (Local Control Accountability Plan)

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present an update regarding proposed State LCAP audit guidelines and compliance review.

Due to State law, VTD will be auditing the LCAP for compliance. Joyce shared with the Committee the LCAP audit guidelines.

Superintendent / Associate Superintendent of Business Services

14. Discussion/Action: Bond Performance Audit

Marcus Battle, Associate Superintendent of Business Services, and Andre Bell, Assistant Director of Capital Accounting, will present a status update on action items and responses to the recommendations from the Bond Performance Audit by Total School Solutions issued September 2013.

The audit performed by Total School Solutions had a total of 32 recommendations, which were recommended for action. Out of the 32 items from the date of the last meeting (December 11, 2013), 11 have been implemented, 18 are still in process, one is under review and two are reviewed with no action required. Since then, six more of the recommendations have been implemented. Thirteen are still in process, which are mostly related to the new financial management software system being put together. The remaining thirteen should be cleared by June 30.

Total School Solutions is scheduled to come back next year.

15. Discussion/Action: Change Order

Marcus Battle, Associate Superintendent of Business Services, and Linda da Silva, Director of Construction, Maintenance and Facilities, will present an update on the proposed revised board policy and administrative regulation as it relates to the delegation of authority and change order process and guidelines.

Linda da Silva made a presentation regarding newly proposed Board Policy and Administrative Regulation #3312.1 Contract Change Orders. Also shared with the Committee is a proposed amendment to Administration Regulation #3311 Bids. The concern with current Administration Regulation #3311 is that it is causing a delay in routine business matters and there is an occasional after-the-fact ratification when a matter cannot wait Board approval.

Recommendations from the bond performance audit include the discontinuance of the practice to include the allowance in the construction contract and delegate authority to administration, delegation and authorization should be done in compliance with Education Code 17604 and 17606, determine the amounts and types of change orders to be approved by the designee.

The District's current approach to recording Notices of Completion (NOC) are:

- *Administration prepares the NOC for the upcoming Board meeting*
- *The NOC approves the recording of the NOC, the NOC is filed*
- *The 35-day period (Mechanic's Lien Law) begins*

This process is causing delays for routine business matters, the delay in the 35-day period, which often comes into conflict with the 60-day retention release and puts the District at risk for retention release penalties.

The delegation of authority over contracts and change order and the modification of NOC practices will reduce the delay in routine and recurring business matters. A timeline on these matters is in the District's best interest. There will be an efficiency in operations and improved customer service.

Administration is proposing the following:

- *Delegation of contract authority to authorized signatories not to exceed \$25,000 for general procurement and \$50,000 for procurement related to capital construction (refer to agenda item 15 -- proposed amendment to AR 3312)*
- *Delegation of authority to authorized signatories to execute change orders to contracts not exceeding 10% of original contract value, and only if within budget limits (refer to agenda item 15 -- proposed new BP3312.1 and proposed amendment to AR3312.1)*
- *Change of practice, which will allow the Capital Projects Purchasing Manager to execute and file Notices of Completion for Public Works contracts, with subsequent Board notification through a written report (refer to agenda item 15 -- proposed amendment to AR3312)*

Motion by Member Berg, second by Jon Reinke, to approve the proposed/new Administrative Regulation and Board Policy 3312.1 Contract Change Order and proposed amendment to Administrative Regulation 3311 Bids for action/adoption by the Board of Trustee, pending legal review.

Vote: 5/0

16. Discussion/Action: Guidelines on Alcohol

Marcus Battle, Associate Superintendent of Business Services, will present policies pertaining to alcohol.

Associate Superintendent shared with the Committee information relative to policies pertaining to alcohol. There are three guidelines that staff and coaches must adhere to, which are:

- *BP4020 Drug and Alcohol Free Workplaces (staff)*
- *AR1330 Use of School Facilities (public)*
- *CIF/Central Coast Section (CCS) rules and regulations -- Coaches are governed by CIF/CCS rules and regulations (sportsmanship policy – code of conduct)*

This item will be taken to the Board for discussion. The Audit Committee requested to be provided updates on this item.

Audit Committee Business

17. Discussion/Action: Audit Committee Self-Assessment

Audit Committee Charter requires an annual self-assessment. Audit Committee will discuss format and timeline of process.

Vice Chair Biehl indicated that in the past, two persons have been appointed in the past to review the Audit Committee Charter language for proposed changes/modifications to the Charter.

Member Juchau indicated that he recommends no changes to the Charter at this time.

Vice Chair Biehl suggested that some time in the future the language pertaining to recruitment be reviewed.

18. Discussion/Action Future Meetings

Audit Committee will schedule the future meeting dates and times for the remainder of the calendar year.

The next meeting will be held on August 27, 2014, at 6 PM in Superintendent's/Board's Conference Room of the East Side Union High School District.

19. Superintendent Communications/Comments

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

No item(s) to report under this section

20. 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

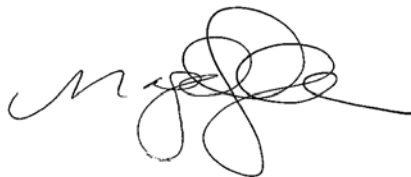
21. Future Agenda Items

There were no future agenda items requested by the Committee.

22. Adjournment

Chair Carrasco adjourned the meeting at 8:08 p.m.

Respectfully submitted,



Magdalena Carrasco, Board Audit Committee Chair