MEETING AGENDA
Board Audit Committee
6:00 PM
March 12, 2014
Superintendent’s Conference Room
East Side Union High School District Education Center
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
   A welcome is extended to the current, reappointed and newly appointed members of the Audit Committee.
   
   • Board Member Magdalena Carrasco - Previously served as Vice Chair and is the newly appointed Chair
   • Board Member Frank Biehl - Newly appointed Vice Chair
   • Bruce Berg - Reappointed Member
   • Jon Reinke - Reappointed Member
   • Anthony Phan - Newly appointed Alternate Member
   • Dan Juchau - Continuing Member

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 December 11, 2013, meeting will be presented for approval.

Chair / Vice Chair

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

Senior Manager of Internal Controls

8. Discussion/Action: Status of Senior Manager of Internal Controls’ Work Plan and Findings
   Kelly Kwong, Senior Manager of Internal Controls, will discuss a status on the Work Plan and findings.
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.

10. **Discussion/Action: Fraud, Waste and Abuse Hotline**
Kelly Kwong, Senior Manager of Internal Controls, will report on the status and accessibility of the Fraud, Waste and Abuse Hotline.

11. **Discussion/Action: School Connected Organizations**
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.

**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.

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.

**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.

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.

16. **Discussion/Action: Guidelines on Alcohol**
Marcus Battle, Associate Superintendent of Business Services, will present policies pertaining to alcohol.

**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.

18. **Discussion/Action: Future Meetings**
Audit Committee will schedule the future meeting dates and times for the remainder of the calendar year.

19. **Superintendent Communications/Comments**
- Chris D. Funk, Superintendent
- Marcus Battle, Associate Superintendent of Business Services
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.

21. **Future Agenda Items**

22. **Adjournment**
EAST SIDE UNION HIGH SCHOOL DISTRICT
Minutes of Meeting
Unapproved
Board Audit Committee
December 11, 2013
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 PM by Chair Nguyen. Present were: Chair Nguyen, Vice Chair Carrasco, Member Berg and Member Juchau. Member Reinke was absent (excused).

Staff members in attendance were:
• Marcus Battle
• Karen Poon
• Kelly Kwong
• Linda da Silva
• Andre Bell
Presenter:
• Leonard Danna, External Auditor - VTD

2. Introductions

Persons present at the meeting 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 were no items under this section.
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 September 5, 2013, meeting will be presented for approval.

*Motion by Vice Chair Carrasco, second by Member Juchau.*

*Vote: 4/0, Member Reinke absent*

**Chair / Vice Chair**

7. **Discussion/Action: Updates - Chair Nguyen and Vice Chair Carrasco**

*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:*

*ASB training and development (key focus)*

FCMAT is being used as the guide. Meetings with School Finance Clerks continue on a bi-monthly basis. The next meeting will be held in February. The location of the meetings are rotated, with the next meeting to be held at Santa Teresa High School. As recommended by the Audit Committee, training sessions have been expanded to include Principals, APAs, APEDs, Activities Directors, Athletic Directors and Finance Clerks. It is mandatory that persons in these positions attend the training.*
Four ASB training sessions were hosted at four different sites in order to provide all participants the ability to attend the training at a location that was near their place of work. There were a total of 73 attendees at the training, 56 employees and 17 students. Senior Manager of Internal Controls Kelly Kwong provided the training, along with the assistance of representatives from the Business Office. Make up sessions are being held in order to train staff that were unable to attend the sessions.

Bond Programs
Kelly Kwong continues to support management on all bond-related matters.

Assistance was provided with the reorganization cost analysis that will be discussed at the Board Meeting of December 12, 2013.

Lease/Use of Facilities
Preliminary reviews have been made and a discussion has been held with three sites. Meetings with other sites are in the process of being scheduled in order to obtain a wider representation. District oversight continues in this area. Information is currently in preliminary stages and a complete report will be provided at a future meeting.

Expenditure (Expense) Reports
Kelly will present the report as a fiscal year end report at the end of the fiscal year.

Purchase/Credit Cards
Kelly will present the report as a fiscal year end report at the end of the fiscal year.

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, may present findings and recommendations for action related to cash handling and ASB debit balances at school sites. In addition, the Committee will be discussing best practices for cash handling and ASB debit balances.

*With the trainings, there is more awareness and staff are calling and asking questions. The debit balances are old and historical; each school site currently has a positive cash balance. The balances are between $100,000 and $400,000.*

*The FCMAT guide is a zero-budget balance, which is being encouraged with the sites by Karen Poon, Director of Finance. Any carry over balance at the end of the year would need to be made in writing to the Business Office.*

*Karen Poon indicated that there are a few debit balances left, but that the sites are gradually eliminating them. The Business Office is monitoring this item.*

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, which was approved at the August 30, 2011, Board meeting.

*Report #19 was filed on September 22, 2013. Fact finding was conducted and Legal Counsel assisted in the investigation. On September 23, a response was posted in the system to the reporter. As of today, the reporter has not checked back into the system to receive the response/report. Report #19 is now closed.*

*In October, 2013, the Business Office published the availability of the Fraud, Waste and Abuse Hotline in their Newsletter that was sent to staff -- a reminder that this is a tool available for anonymous reporting.*

11. **Discussion/Action: School Connected Organizations**
Kelly Kwong, Senior Manager of Internal Controls, will present a draft of best practices/guidelines associated for School Connected Organizations, including current polices.

*School Connected Organizations (SCOs) are not part of the East Side Union High School District’s financial obligations. They are a separate entity, such as athletics boosters or PTA. They are required to obtain their own tax identification number, separate from the District’s number, and require their own Bylaws. The Administrative Bulletin (presented as attachment #11), issued in October, 2012, is a tool to provide guidance to SCOs. Noted in the bulletin is that SCOs are requested to provide the District SCO information an annual basis (application*
and renewal form). This will help to keep the district informed on the status of SCOs. The form is due annually on September 30 to the District. Kelly Kwong has attended some SCO meetings and has provided training on the form.

Not all SCOs are in compliance with all required forms and some SCOs have not submitted any documentation. Kelly has been following up with the site Principal(s) to inform them of the missing forms and to assist in the follow-up.

The SCO policy update will be discussed at a future meeting.

Discussion was held regarding facility use by SCOs and adhering to current Board Policy on facilities usage. This item will be further discussed at a future meeting.

External Auditor

12. Discussion/Action: Student Records Retention - Joyce Peters, External Auditor, will provide an audit update to the Committee.

Leonard Danna, External Auditor for VTD, presented an external audit update on the District on behalf of Joyce Peters who was unable to attend due to a calendar conflict.

The final reviews have been completed. VTD is waiting to hear back from Director of Finance Karen Poon on the corrective action plan to be proposed by the District in response to a finding. The finding is a State compliance issue in the area of School Accountability Report Card (SARC) reporting, which deals with the inspection of facilities. The information on the SARCs did not match what was listed in the Facilities Inspection Tool (FIT) Forms. It was noted that there may be a time lag on when the SARCs are published and when the FIT forms are submitted; the information did not make it from the FITs to the SARCs. In order to comply with law, this will be a fairly easy fix.

A Federal single audit was conducted. There is an unqualified report on the financial statements and an unqualified report on the Federal audit procedures. What this means is that certain Federal Programs are tested as required by the Federal Single Audit Act. The general idea is that money is spent for the intended purpose. There were no issues with respect to the Federal compliance issues. The School Accountability Report Cards was one of the items tested. There were no financial audit adjustments made. Once Karen Poon's corrective action plan on the SARCs is received, the report will be finalized and mailed to the State for compliance with the December 5 deadline.
The Facilities Department has modified their internal controls to ensure that the information on the FITs is included in the SARCs.

Superintendent / Associate Superintendent of Business Services

13. Bond Performance Audit - Associate Superintendent Battle will present information on the Bond performance audit.

On June 27, 2013, the Board of Trustees awarded a contract to Total School Solutions to perform a Prop 39 audit of the Measure G and Measure E Bond Programs. This audit was more intensive than the standard audit that is performed by VTD.

The highlights on the positive aspects of the audit were:

• The District showed great Bond revenue management
• Diligence in taxpayer obligations to debt restructuring activities
• Ability to leverage Bond funds through aggressive pursuit of State grant funds under the School Facilities Program
• Response to issues raised in the 2010 FCMAT Extraordinary Audit have been addressed
• Development of Bond Program project scopes, budgets, and schedules
• Faithful execution by the CBOC in terms of their duties and responsibilities to the Bond Program

Some of the weaknesses observed in the Programs are:

• Excess staffing attributable to some duplication of work effort
• Financial management discrepancies
• District’s approach to change orders

There were 33 recommendations in the Audit Report. The Board recommended that the Board Audit Committee assume responsibility for review of follow up actions. To summarize what has occurred to-date, the District organized an internal workgroup comprised of the SGI Program management staff, Senior Manager of Internal Controls, Associate Superintendent of Business Services, Director of Finance, Director of Facilities, and Capital Purchasing Manager to determine functional responsibilities for recommendations. Each responsible party was asked to develop specific action steps to address the recommendations and to determine due dates for implementation. All recommendations were vetted and agreed upon by the workgroup in collaboration with the District’s Senior Manager of Internal Controls to ensure transparency, responsiveness, and accountability. To-date, 12 of those
recommendations have been implemented. Eighteen of the recommendations are still in process and three of the recommendations were reviewed with no action required. The workgroup was provided with a matrix of the 33 recommendations. A copy of the report/matrix was provided to the Audit Committee.

The matrix identifies the responsible party for each recommendation. Many of the responsibilities fall under the Capital Accounting Department. The matrix also lists the due date for the implementation of each item and status of each item. Page three on the matrix has an item noted in red. This item is in reference to change orders that the Board asked administration to present and obtain direct input from the Audit Committee. Most of the recommendations are operational.

On the financial discrepancy, there were two different accounting systems used, the District’s QCC system and the Bond Program system used by SGI, Primavera. There was a time lag of information between QCC and Primavera. When the auditors pulled the information on a particular date, the information did not match between the two systems. It was approximately a 3-4 week lag in information. The data had to be directly input into Primavera. The District is in the process of providing a system that has real-time information where data that is directly uploaded into QCC is also uploaded to a system that can provided financial reports to CBOC that will reflect the information that is in the District’s financial management system that does not require any duplicate data entry which create any opportunities for error. There are reports that cannot be generated in QCC for the Bond Program, whereas, Primavera allowed the ability to generated customized reports, but there is a lot of data entry required in Primavera in order to generate these reports. That is one of the recommendations that the District is working to correct.

Linda da Silva, Director of Facilities, made a presentation to the Committee regarding a preliminary plan in terms of changes that the District is planning to recommend to change order approval process.

The Bond Performance Auditor recommended that the District discontinue using the practice of including an allowance in the construction contract and to, instead, delegate authority to administration. By doing so, the District would eliminate the misconceptions and challenges associated with the process, expedite the authorization of change orders, minimize time spent in obtaining District and Board approval on change orders prior to the execution of work, reduce the turnaround time for review, approval, and authorization of execution and payment of those construction change orders, demonstrate that the Board recognizes the urgent nature of school construction work, and that the expeditious handling of construction change orders plays an important role on the success of cost effective construction contracts. Further, the delegation and authorization should be done in compliance with California Education Code
sections 17604-17606, which basically states, “...the delegation and power may be limited as to time, money, or subject matter and no contracts may pursuant to delegation and authorization shall be valid or constitute an enforceable obligation, unless, and until, those have been approved or ratified by the Board...” Lastly, determine the amounts of change orders to be approved by designees.

The Bond Performance Auditor recommended that the designees could include the Superintendent, Associate Superintendent, Director of Facilities, Assistant Director of Facilities, District Architect, and Senior Contract Manager. The delegations should be renewed annually to ensure that timely adjustments to details are made according to the changing needs of the Bond Programs.

Reasons why delegation of authority over contracts, change orders and notices of completion should be granted:

- It has become routine in recurring business matters
- Leads to efficiency of operations
- Timeliness on these matters is in the District’s best interest

The proposal includes:

- Delegation of authority for the Superintendent and/or designee to enter into contracts for equipment, materials, supplies, and non-construction services not exceeding the limit set in Public Contract Code 20111.

In February, 2013, the Board adopted CUPCCAA, which changes a little of the nuance in Public Contract Code 20111. Instead of limiting public works construction award to $15,000, it allows the Associate Superintendent to award contracts up to $175,000.

- Delegate authority to the Superintendent and/or designee to execute change orders to contracts not exceeding 10% of the original contract value.

- Delegate authority to the Superintendent and/or designee to execute final Notices of Completion for public works contracts.

Clarifications to the delegations would be per the Education Code. None of those transactions under those delegations of authority would be valid until ratified by the Board of Trustees. Authorizing language would be included in Board Policy and Administrative...
Regulation that specify that these delegated approvals would be within the Board approved budget and pursuant to Education Code and Public Contract Code.

Next steps to considering the delegation of authority would be to have legal review of Board Policy #3312 Contracts, which will be completed in approximately January 2014. There will also be a review by Superintendent’s Council and Cabinet. Then, a return to the Audit Committee and then take all questions and recommended revisions on the policy for refinement and present to the Board for first reading in the Spring with a second reading and adoption to follow at a subsequent Board Meeting. The Administrative Regulation will be developed and submitted during the same time for review and approval by Superintendent’s Council and Cabinet.

Audit Committee Business

14. Discussion/Action Future Meetings
Under this item the Audit Committee may schedule future meeting dates and times.

The next meeting will be held on March 12, 2014, at 6 PM in Superintendent’s/Board’s Conference Room of the East Side Union High School District.

15. Superintendent Communications/Comments

- Superintendent Chris D. Funk

- Associate Superintendent of Business Services Marcus Battle

No item(s) to report under this section

16. 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
17. **Future Agenda Items**

*Items for future discussion:*

*Bruce Berg, Member*
A request was made for a preliminary report on the District’s progress towards putting together an LCAP plan before the end of the school year. It was indicated by Associate Superintendent Battle and Director of Finance Poon that a report may not be available by the next meeting, but the District would be able to provide an update.

*Lan Nguyen, Chair*
All standing items will remain on the agenda as recurring items.

*Kelly Kwong, Senior Manager of Internal Controls and Marcus Battle, Associate Superintendent of Business Services*
School-Connected Organizations with relation to the use of facilities will be on the next meeting agenda for discussion.

18. **Adjournment**

*Chair Nguyen adjourned the meeting at 7:42 p.m.*

Respectfully submitted,

__________________________
Magdalena Carrasco, Board Audit Committee Chair
### East Side Union High School District

**ASB Finance Training District Wide FY 2013-2014**

**Attendance as of Audit Committee Meeting 12.11.13**

<table>
<thead>
<tr>
<th>POSITION / TITLE</th>
<th>TOTAL</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>AH</td>
<td>EV</td>
<td>IHS</td>
<td>JL</td>
<td>MP</td>
<td>OG</td>
<td>PH</td>
<td>SC</td>
<td>ST</td>
<td>WCO</td>
<td>YB</td>
<td>Calero</td>
<td>Foothill</td>
<td>Adult Ed</td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assoc Principal APA</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assoc Prin APED/Asst Prin</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Finance Clerk</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities Director</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletic Director Boys</td>
<td>6</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletic Director Girls</td>
<td>4</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Employees</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EMPLOYEES</strong></td>
<td>56</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB Treasurer</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB President</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB Exec VP</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Secretary</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Treasurer 2014</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Treasurer 2015</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Treasurer 2017</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB ICC Commissioner</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB Cultural Liaison PR</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB Special Project</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASB Rally Commission</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL STUDENTS</strong></td>
<td>17</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ATTENDEES</strong></td>
<td>73</td>
<td>3</td>
<td>7</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

### Training Sessions

- **Session #1** Mon 11.4.13 430pm-530pm EVHS
- **Session #2** Tue 11.5.13 330pm-430pm OGHS
- **Session #3** Thu 11.7.13 11am-12pm WCOHS
- **Session #4** Mon 11.18.13 130pm-230pm IHS
- **Mon 10.7.13** 11am-12pm PHHS

### Business Office Reps in Attendance

- **Employees**: 77%
- **Students**: 23%

<table>
<thead>
<tr>
<th>Employees</th>
<th>Students</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathy Nguyen</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Cathy Nguyen</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>Cathy Nguyen, Marisol Esparaza</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Cathy Nguyen</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>Karen Poon, Cathy Nguyen</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>56</strong></td>
<td><strong>17</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>
## East Side Union High School District
### ASB Finance Training District Wide 2013-2014
As of Audit Committee Meeting 3.12.14

### Employee Breakdown

<table>
<thead>
<tr>
<th>Position</th>
<th>AH</th>
<th>EV</th>
<th>IHS</th>
<th>JL</th>
<th>MP</th>
<th>OG</th>
<th>PH</th>
<th>SC</th>
<th>ST</th>
<th>WCO</th>
<th>YB</th>
<th>Calero</th>
<th>Foothill</th>
<th>Adult Ed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assoc Principal APA</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assoc Prin APED/Asst Prin</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Finance Clerk (see Note A')</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities Director</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletic Director Boys</td>
<td>8</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletic Director Girls</td>
<td>7</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal's Secretary</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Employee</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EMPLOYEES</strong></td>
<td>72</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>17</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ATTENDEES</strong></td>
<td>89</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>11</td>
<td>7</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Note A:
Bank Finance Clerks at EV and IHS were trained in the fall 2013. But replacements hired recently and will be trained 3.14.14

### Training Sessions

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Time</th>
<th>Place</th>
<th>Business Office Reps in Attendance</th>
<th>Employees</th>
<th>Students</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mon 10.7.13</td>
<td>11am-12pm</td>
<td>PHHS</td>
<td>Karen Poon, Cathy Nguyen</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Mon 11.4.13</td>
<td>3:30pm-5:30pm</td>
<td>EVHS</td>
<td>Cathy Nguyen</td>
<td>7</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Tue 11.5.13</td>
<td>3:30pm-5:30pm</td>
<td>OGHS</td>
<td>Cathy Nguyen</td>
<td>14</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>4</td>
<td>Thu 11.7.13</td>
<td>11am-12pm</td>
<td>WCOHS</td>
<td>Cathy Nguyen, Marisol Esparaza</td>
<td>11</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Mon 11.18.13</td>
<td>3:30pm-5:30pm</td>
<td>IHS</td>
<td>Cathy Nguyen</td>
<td>19</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>6</td>
<td>Wed 12.18.13</td>
<td>3:30pm-5:30pm</td>
<td>MP</td>
<td>Tina Flores</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Fri 12.20.13</td>
<td>9am-10:15pm</td>
<td></td>
<td>Tina Flores</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Mon 1.13.14</td>
<td>5:15pm-5:45pm</td>
<td></td>
<td>none</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Wed 1.15.14</td>
<td>12:30pm-1:00pm</td>
<td></td>
<td>none</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total Attendees:**

<table>
<thead>
<tr>
<th>Employees</th>
<th>Students</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>17</td>
<td>89</td>
</tr>
<tr>
<td>Item #</td>
<td>Section Title</td>
<td>Report Page Number</td>
</tr>
<tr>
<td>--------</td>
<td>---------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>1</td>
<td>Compliance with Ballot Language</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>Compliance with Ballot Language</td>
<td>29</td>
</tr>
<tr>
<td>3</td>
<td>Compliance with Ballot Language</td>
<td>29</td>
</tr>
<tr>
<td>4</td>
<td>Compliance with Ballot Language</td>
<td>31</td>
</tr>
<tr>
<td>5</td>
<td>Compliance with Ballot Language</td>
<td>31</td>
</tr>
<tr>
<td>6</td>
<td>Compliance with Ballot Language</td>
<td>33</td>
</tr>
<tr>
<td>7</td>
<td>Internal Controls</td>
<td>41</td>
</tr>
</tbody>
</table>

*Item 44*

- There was a one-month period during which there was a vacancy. Committee member terms are staggered, which prevents concurrent vacancies. The committee is comprised of 14 individuals, which is in excess of the minimum requirement of 11. This precludes disruptive vacancies.

- For the Audits, the statement was revised to say: “Proposition 39 requires an annual independent financial audit of the proceeds from the sale of school facilities bonds, until all of the proceeds have been expended. Audit Reports can be found by clicking here.” (The link takes them to the Measure E site where all the audits are available.)

- In addition, a new section was created on the bond website to allow people interested in serving on the CBOC to send an interest card. These individuals will be notified when openings occur.

3. **Staff and Financial Management Structure**

   **Recommendations**
   - The District should review the number of individuals responsible for financial oversight to ensure that the District’s structure is in line with best practices and that the District has the appropriate level of oversight.
   - It is recommended that the District enforce a practice to require staff to provide management staff to review financial documents prior to the creation of financial reporting options.

   **Actions**
   - The District should implement a practice to require District and program management staff to review financial documents prior to the creation of financial reporting options.
   - The District should require program management staff to acquire and utilize financial reporting options.

   **Due Date**
   - 3/31/14

   **Comments**
   - The District and the Program Manager should implement a practice to require program management staff to review financial documents prior to the creation of financial reporting options.
Subcontractors to issue “Stop Payment Notices” to the District within 30 days of the recording issuance of NOC to protect their interests. It should be noted that the law requires the Notice of Completion (NOC), and (c) the District should notify subcontractors of the incorporate into updated CM Manual. shall increase the level of staff effort in ascertaining that the prime contractors have paid their NOC: this was reviewed and no action will be taken. ESUHSD’s practice larger group for review/approval. Then notifications, NOC notifications. Present to SGI: Farshid Samsami 2/28/14 Capital Purchasing: Janice Unger To minimize the issuances of “Stop Payment Notices” by subcontractors, TSS recommends professional services are governed by different articles of the Public Contracting Code which distinct agenda. The other reason for the needed distinction is that construction projects and contract amendments and construction change orders should be presented to the Board under !047@7872:B((E7.248*.(F7+,0(,0(G7@H0 practices indicate that approval of construction contracts, professional services contracts, (a) and (b), differently, TSS recommends that staff obtain the District’s legal counsel opinion Because legal counsels in other Districts have interpreted Public Contract Code Section 20118 change order. Therefore, the current process creates a financial incentive for contract a change order is approved, calculated as a percentage of the amount of the cost of the efficiency of the program. It should be noted that contract professionals’ fees are based on a percentages commonly observed in most school districts and to improve the economic percentages of the District’s construction change orders to be more aligned with the District should encourage and motivate Program Management, Architects/ Once in place, the District should construct a scope are succinctly defined by the District and clearly communicated to the design professionals to minimize District requested additions to the scope during the construction processes. The current roles and responsibilities of the Project Manager. Furthermore, these delegations of the authority to approve change orders and impose a requirement that all transactions approved by virtue of the delegation be submitted to the Board for approval or ratification during the next scheduled Board Meetings. Delegations should include the (a) Superintendent, Associate Superintendent (b) Design, (c) Construction, (d) Architecture, (e) Facilities, (f) Architect and the Senior District should decide on the merits of conducting further reviews based on these findings noted above resulted from a representative sample of projects. Therefore, similar discrepancies and challenges associated with the process. It is understood that the basic recommendations for improvement will remain largely unchanged. The key question is whether the financial impact of the recommendations can be justified. This arrangement will effectively reduce the turnaround time for review, approval, payment application documents prior to the processing of payments to contractors. The transactions from years ago. Since that time, processes have been implemented that properly place emphasis on disbursements and contract actions. 200 W The above steps are identified by task number and reference code (see chart below). Since that time, processes have been implemented that properly place emphasis on disbursements and contract actions.
<table>
<thead>
<tr>
<th>Item #</th>
<th>Section Title</th>
<th>Report Page Number</th>
<th>Recommendations</th>
<th>Responsibility</th>
<th>Actions</th>
<th>Due Date</th>
<th>Comments</th>
<th>Status</th>
<th>Actions</th>
<th>Responses</th>
<th>Not Implemented</th>
<th>Under Review</th>
<th>Completed</th>
<th>Responsible for Followup</th>
<th>Date Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Measure G and E Expenditures and Payment Procedures</td>
<td>111</td>
<td>- The District should develop a process for disbursement of payment checks and electronic payments.</td>
<td>Financial Planner</td>
<td>Implement new process</td>
<td>9/16/13</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table Notes:**
- **Due Date:** The date by which the item is expected to be completed.
- **Comments:** Any notes or additional information about the item.
- **Status:** The status of the item, indicating whether it is completed, under review, or not implemented.
- **Actions:** The specific actions required to address the item.
- **Responsibility:** The person or department responsible for completing the action.
- **Recommendations:** The recommendations or best practices identified in the report.
- **Actions:** The specific actions required to address the item.
- **Due Date:** The date by which the item is expected to be completed.
- **Comments:** Any notes or additional information about the item.
- **Status:** The status of the item, indicating whether it is completed, under review, or not implemented.
- **Actions:** The specific actions required to address the item.
- **Responsibility:** The person or department responsible for completing the action.
- **Recommendations:** The recommendations or best practices identified in the report.
Executive Summary of
FY 2009 - 2012 Bond Program Audit Recommendations

Total School Solutions conducted a Performance Audit of the Bond Program for FY 2009 – 2012. At the completion of the audit, there were 32 recommendations that the auditors recommended for District action. Of the 32 items, the District has taken action and implemented 17. There were two items that were reviewed and determined that no action was needed. The remaining 13 recommendations are still in process and will be fully implemented on or before fiscal year end June 30, 2014.

The following is the status presented to the Audit Committee.

<table>
<thead>
<tr>
<th>As of</th>
<th>In Process</th>
<th>Under Review</th>
<th>Implemented</th>
<th>Not Implemented</th>
<th>Reviewed, No Action</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 11, 2013</td>
<td>18</td>
<td>1</td>
<td>11</td>
<td>0</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Progress</td>
<td>(5)</td>
<td>(1)</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>March 12, 2014</td>
<td>13</td>
<td>0</td>
<td>17</td>
<td>0</td>
<td>2</td>
<td>32</td>
</tr>
</tbody>
</table>
ESUHSD’s Current Approach to Change Orders

- An Owner’s Allowance is embedded into construction contract award
- Administration draws down from the Owner’s Allowance
- If monetary increases to contract scope are projected to exceed the Owner’s Allowance, administration requests a contract augmentation by the Board (up to 10% of original contract award for hard bid contracts, per Public Contract Code §20118.4)
- Unused Owner’s Allowance is deducted from the contract via a deductive final change order, which is Board approved
Bond Program Performance Audit Recommendations

- Discontinue the practice of including an Allowance in the construction contract, and delegate authority to administration (page 97)
  - eliminate the misconceptions and challenges associated with the process
  - expedite the authorization of change orders and minimize time spent in obtaining District and Board of Trustees approval on change orders prior to the execution of work
  - reduce the turnaround time for review, approval, authorization, execution and payment of construction change orders
  - demonstrate that the Board of Trustees recognizes the urgent nature of school construction work, and that the expeditious handling of construction change orders plays an important role in the success and cost effectiveness of construction contracts

- Delegation and authorization should be done in compliance with Education Code §17604 thru 17606 (page 97)
  - the delegation of power may be limited as to time, money or subject matter
  - no contracts made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the District unless and until the same shall have been approved or ratified by the Board

- Determine the amounts and types of change orders to be approved by the designees (page 97)
  - designees should include the Superintendent, Associate Superintendent of Business Services, Director of Facilities, Assistant Director of Facilities, District Architect and the Senior Project Manager
  - delegations of the authority should be renewed annually to ensure that timely adjustments to details are made according to the changing needs of the program
Education Code §17604

Wherever in this code the power to contract is invested in the governing board of the school district or any member thereof, the power may by a majority vote of the board be delegated to its district superintendent, or to any persons that he or she may designate, or if there be no district superintendent then to any other officer or employee of the district that the board may designate. The delegation of power may be limited as to time, money or subject matter or may be a blanket authorization in advance of its exercise, all as the governing board may direct. However, no contract made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board, the approval or ratification to be evidenced by a motion of the board duly passed and adopted. In the event of malfeasance in office, the school district official invested by the governing board with the power of contract shall be personally liable to the school district employing him or her for any and all moneys of the district paid out as a result of the malfeasance.

Note: Underlining provided for emphasis

What Have Other Districts Done?

1. Cambrian School District
2. Milpitas Unified School District
3. Alum Rock Unified Elementary School District
4. Cupertino Union School District
5. Fremont Union High School District
6. Oak Grove School District
7. Palo Alto Unified School District
8. San Jose Unified School District
9. Santa Clara Unified School District
10. Los Angeles Unified School District
11. San Mateo County Community College District
Cambrian School District
Milpitas School District

- Owner’s Allowance is embedded in construction contract and used by staff to address change orders

Alum Rock Unified Elementary School District

- The CBO approves change orders up to 10 percent of the original contract price
Cupertino Union School District

- The Superintendent is authorized to award professional service contracts not exceeding $25,000
- Owner’s Allowance embedded in construction contract

Fremont Union High School District

- Owner’s Allowance embedded in construction contract
- Alternatively, at the time the Board awards the construction contract, they also delegate authority to administration to issue change orders as necessary
Oak Grove School District

- The Board has delegated authority for administration to award contracts for:
  - equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111
  - Public works projects not exceeding $75,000

- The Board has delegated authority for administration to file and record Notices of Completion

Palo Alto Unified School District

- At the time the Board awards the construction contract, they also delegate authority to staff to issue change orders as necessary
San Jose Unified School District

- The Director of Facilities and Construction is authorized to approve change orders up to 10 percent of the original contract price.

Santa Clara Unified School District

- The Superintendent or her/his designee is authorized to enter into contracts in accordance with the limits set in PCC §20111.
The Chief Facilities Executive, or his or her designee, is authorized to:

- Apply for State and Federal funds
- Approve Facilities contract procedures, awards, management and enforcement
- Approval of Facilities services contracts (professional services including architecture, engineer, inspection, testing, construction, supplies, etc.)
- Establish, operate and oversee imprest fund accounts
- Establish trust accounts (for depositing collections and disbursing funds in connection with property management)

Los Angeles Unified School District

(cont’d)

- Execute contracts, licenses, permits and other instruments necessary for or incidental to school construction activities (including contracts, permits, applications, waiver of damages agreements, encroachment agreements, easement agreements, CEQA compliance documents, etc.)
- Negotiate and execute leases, licenses, permits and other agreements or instruments for the use of real property
- Land acquisition and relocation
- Salvage of items and sale and relocation of buildings
- Solicit proposals and conduct price discovery auctions for electricity/natural gas
San Mateo County Community College District

- Delegation of authority to the Chancellor and Executive Vice Chancellor, or their designees, to enter into contracts for equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111
- Adoption of CUPCCAA
- Delegation of authority to Chancellor and Executive Vice Chancellor to execute change orders
- Delegation of authority to Chancellor and Executive Vice Chancellor, or their designees, to execute and file Notices of Completion

Why delegate authority over contracts, change orders, Notices of Completion?

- Routine, recurring business matters
- Efficiency of operations
- Timeliness on these matters is in the District’s best interest
Proposed ESUHSD Delegation of Authority

- Delegation of authority to the Superintendent, or his/her designees, to enter into contracts for equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111
  - Acknowledging that on February 14, 2013 (Board Item 15.01) the Board adopted Resolution #2012/2013-16 authorizing election under Public Contract Code Section 22030 to become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA) Procedures

- Delegation of authority to the Superintendent, or his/her designees, to execute change orders to contracts not exceeding 10% of the original contract value

- Delegation of authority to the Superintendent, or his/her designees, to execute and file Notices of Completion for Public Works contracts

Clarifications

- Ratification by Board of Trustees

- Authorizing language in Board Policy and/or Administrative Regulation should specify that approvals are to be within Board-approved budget

- Authorizing language in Board Policy and/or Administrative Regulations should specify that approvals are to be pursuant to Education and Public Contract Code requirements
Next Steps

- Board Policy and Admin Reg 3312 revision
  - Legal review January 2014
  - Council review January 2014
  - Cabinet review February 2014
  - Internal Audit Committee March 2014
  - First reading April 2014 Board meeting
  - Second reading May 2014 Board meeting
**PROPOSED**
**DELEGATION OF AUTHORITY**

Linda da Silva  
Director of Construction, Maintenance & Facilities

---

**ESUHSD’s Current Approach to Change Orders**

- An Owner’s Allowance is embedded into construction contract award
- Administration draws down from the Owner’s Allowance
- If monetary increases to contract scope are projected to exceed the Owner’s Allowance, administration requests a contract augmentation by the Board (up to 10% of original contract award for hard bid contracts, per Public Contract Code §20118.4)
- Unused Owner’s Allowance is deducted from the contract via a deductive final change order, which is Board approved
Bond Program Performance Audit

Recommendations

- Discontinue the practice of including an Allowance in the construction contract, and delegate authority to administration (page 97)
  - eliminate the misconceptions and challenges associated with the process
  - expedite the authorization of change orders and minimize time spent in obtaining District and Board of Trustees approval on change orders prior to the execution of work
  - reduce the turnaround time for review, approval, authorization, execution and payment of construction change orders
  - demonstrate that the Board of Trustees recognizes the urgent nature of school construction work, and that the expeditious handling of construction change orders plays an important role in the success and cost effectiveness of construction contracts

Bond Program Performance Audit
Recommendations (cont’d)

- Delegation and authorization should be done in compliance with Education Code §17604 thru 17606 (page 97)
  - the delegation of power may be limited as to time, money or subject matter
  - no contracts made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the District unless and until the same shall have been approved or ratified by the Board

- Determine the amounts and types of change orders to be approved by the designees (page 97)
  - designees should include the Superintendent, Associate Superintendent of Business Services, Director of Facilities, Assistant Director of Facilities, District Architect and the Senior Project Manager
  - delegations of the authority should be renewed annually to ensure that timely adjustments to details are made according to the changing needs of the program
Education Code §17604

Wherever in this code the power to contract is invested in the governing board of the school district or any member thereof, the power may by a majority vote of the board be delegated to its district superintendent, or to any persons that he or she may designate, or if there be no district superintendent then to any other officer or employee of the district that the board may designate. The delegation of power may be limited as to time, money or subject matter or may be a blanket authorization in advance of its exercise, all as the governing board may direct. However, no contract made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board, the approval or ratification to be evidenced by a motion of the board duly passed and adopted. In the event of malfeasance in office, the school district official invested by the governing board with the power of contract shall be personally liable to the school district employing him or her for any and all moneys of the district paid out as a result of the malfeasance.

What Have Other Districts Done?

1. Cambrian School District
2. Milpitas Unified School District
3. Alum Rock Unified Elementary School District
4. Cupertino Union School District
5. Fremont Union High School District
6. Oak Grove School District
7. Palo Alto Unified School District
8. San Jose Unified School District
9. Santa Clara Unified School District
10. Los Angeles Unified School District
11. San Mateo County Community College District
Cambrian School District
Milpitas School District

- Owner’s Allowance is embedded in construction contract and used by staff to address change orders

Alum Rock Unified Elementary School District

- The CBO approves change orders up to 10 percent of the original contract price
Cupertino Union School District

- The Superintendent is authorized to award professional service contracts not exceeding $25,000
- Owner’s Allowance embedded in construction contract

Fremont Union High School District

- Owner’s Allowance embedded in construction contract
- Alternatively, at the time the Board awards the construction contract, they also delegate authority to administration to issue change orders as necessary
Oak Grove School District

- The Board has delegated authority for administration to award contracts for:
  - equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111
  - Public works projects not exceeding $75,000

- The Board has delegated authority for administration to file and record Notices of Completion

Palo Alto Unified School District

- At the time the Board awards the construction contract, they also delegate authority to staff to issue change orders as necessary
San Jose Unified School District

- The Director of Facilities and Construction is authorized to approve change orders up to 10 percent of the original contract price.

Santa Clara Unified School District

- The Superintendent or her/his designee is authorized to enter into contracts in accordance with the limits set in PCC §20111.
Los Angeles Unified School District

- The Chief Facilities Executive, or his or her designee, is authorized to:
  - Apply for State and Federal funds
  - Approve Facilities contract procedures, awards, management and enforcement
  - Approval of Facilities services contracts (professional services including architecture, engineer, inspection, testing, construction, supplies, etc.)
  - Establish, operate and oversee imprest fund accounts
  - Establish trust accounts (for depositing collections and disbursing funds in connection with property management)

Los Angeles Unified School District (cont’d)

- Execute contracts, licenses, permits and other instruments necessary for or incidental to school construction activities (including contracts, permits, applications, waiver of damages agreements, encroachment agreements, easement agreements, CEQA compliance documents, etc.)
- Negotiate and execute leases, licenses, permits and other agreements or instruments for the use of real property
- Land acquisition and relocation
- Salvage of items and sale and relocation of buildings
- Solicit proposals and conduct price discovery auctions for electricity/natural gas
San Mateo County Community College District

- Delegation of authority to the Chancellor and Executive Vice Chancellor, or their designees, to enter into contracts for equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111

- Adoption of CUPCCAA

- Delegation of authority to Chancellor and Executive Vice Chancellor to execute change orders

- Delegation of authority to Chancellor and Executive Vice Chancellor, or their designees, to execute and file Notices of Completion

Why delegate authority over contracts, change orders, Notices of Completion?

- Routine, recurring business matters

- Efficiency of operations

- Timeliness on these matters is in the District’s best interest
Proposed ESUHSD Delegation of Authority

- Delegation of authority to the Superintendent, or his/her designees, to enter into contracts for equipment, materials and supplies and non-construction services not exceeding the limits set in PCC §20111
  - Acknowledging that on February 14, 2013 (Board Item 15.01) the Board adopted Resolution #2012/2013-16 authorizing election under Public Contract Code Section 22030 to become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA) Procedures

- Delegation of authority to the Superintendent, or his/her designees, to execute change orders to contracts not exceeding 10% of the original contract value

- Delegation of authority to the Superintendent, or his/her designees, to execute and file Notices of Completion for Public Works contracts

Clarifications

- Ratification by Board of Trustees

- Authorizing language in Board Policy and/or Administrative Regulation should specify that approvals are to be within Board-approved budget

- Authorizing language in Board Policy and/or Administrative Regulations should specify that approvals are to be pursuant to Education and Public Contract Code requirements
Next Steps

- Board Policy and Admin Reg 3312 revision
  - Legal review January 2014
  - Council review January 2014
  - Cabinet review February 2014
  - Internal Audit Committee March 2014
  - First reading April 2014 Board meeting
  - Second reading May 2014 Board meeting
PROPOSED
DELEGATION OF CONTRACT AUTHORITY
CONTRACTOR PREQUAL APPEALS PANEL
PRACTICE CHANGE FOR NOTICES OF COMPLETION

Marcus Battle, Associate Superintendent of Business Services
Linda da Silva, Director of Construction, Maintenance & Facilities
Donna Bertrand, Contracts Administration Coordinator
Janice Unger, Capital Projects Purchasing Manager

East Side Union High School District
March 12, 2014
ESUHSD’s Current Approach to Contract Authority

- BP 3300 Expenditures and Purchases (May 21, 2009)
  - “The Superintendent or designee may purchase supplies, materials, apparatus, equipment, and services up to the amounts specified in Public Contract Code 20111, beyond which a competitive bidding process is required. The Board shall not recognize obligations incurred contrary to Board policy and administrative regulations.”

- BP 3312 Contracts (May 21, 2009)
  - “Whenever state law invests the Governing Board with the power to enter into contracts on behalf of the district, the Board may, by a majority vote, delegate this power to the Superintendent or designee. To be valid or to constitute an enforceable obligation against the district, all contracts must be approved and/or ratified by the Board. (Education Code 17604)”

- AR3311 Bids (April 12, 2013)
  - All contracts are Board approved

- What’s not working about this?
  - Delays for routine business matters
  - Occasional after-the-fact ratification when a matter could not await Board approval
  - Business Division strategic plan goals to improve efficiency and customer service
ESUHSD’s Recent Past Approach to Public Works Construction Change Orders

- An Owner’s Allowance is embedded into construction contract award
  - Note: this practice was terminated effective October 2013
- Administration draws down from the Owner’s Allowance
- If monetary increases to contract scope are projected to exceed the Owner’s Allowance, administration requests a contract augmentation by the Board (up to 10% of original contract award for hard bid contracts, per Public Contract Code §20118.4)
- Unused Owner’s Allowance is deducted from the contract via a deductive final change order, which is Board approved
Bond Program Performance Audit

Recommendations

- Discontinue the practice of including an Allowance in the construction contract, and delegate authority to administration (page 97)
- Delegation and authorization should be done in compliance with Education Code §17604 thru 17606 (page 97)
- Determine the amounts and types of change orders to be approved by the designees (page 97)
ESUHSD’s Current Approach to Recording Notices of Completion for Public Works Construction

- A Notice of Completion (NOC) is ready to be recorded for a construction project
  - Administration prepares for next available Board meeting
  - The Board approves recording of a NOC
  - Administration records the NOC
  - 35-day period begins related to Mechanic’s Lien Law

- What’s not working about this?
  - Delays for routine business matters
  - 35-day period is delayed, and often becomes in conflict with 60-day retention release, putting the District at risk for retention release penalties
What Have Other Districts Done?

Districts noted in **bold red font** have delegated some degree of authority for contracts, change orders, NOCs

- Cambrian School District
- **Milpitas Unified School District**
- Alum Rock Unified Elementary School District
- **Cupertino Union School District**
- **Foothill DeAnza Community College District**
- Fremont Union High School District
- **Oak Grove School District**
- Palo Alto Unified School District
- **San Jose Unified School District**
- Santa Clara Unified School District
- **Los Angeles Unified School District**
- San Mateo County Community College District
- **West Valley Mission Community College District**
Why delegate authority over contracts and change orders, and modify NOC practices?

- Routine, recurring business matters
- Timeliness on these matters is in the District’s best interest
- Efficiency of operations
- Improved customer service
Proposed Delegation of Contract Authority

- Delegation of authority to authorized signatories not exceeding $25,000 for general procurement and $50,000 for procurement related to capital construction
  - Public works construction contract authority up to $175,000 has already been delegated to Associate Superintendent of Business Services when the Board adopted Resolution #2012/2013-16 authorizing election under Public Contract Code Section 22030 to become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA) Procedures on February 14, 2013 (Board Item 15.01)

- Refer to proposed revised AR3312
Proposed Delegation of Contract Authority

- 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 proposed new BP3312.1 and AR3312.1

- Refer to proposed revised authorized signatures list
Proposed ESUHSD Practice Change for Notices of Completion

- Change of practice, allowing 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 proposed revised AR3312
Next Steps

- Internal Audit Committee December 2013 - done!
- Council review March 3, 2014 - done!
- Legal review March 2014 — in process
- Cabinet review March 11, 2014
- Internal Audit Committee March 12, 2014
- First reading April 2014 Board meeting
- Second reading May 2014 Board meeting
BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Contract Change Orders

General Procurement

Contract changes orders shall be submitted to the Contracts Administration Coordinator in accordance with Purchasing policies and procedures. The Superintendent, Associate Superintendent of Business Services, and Contracts Administration Coordinator may approve contract change orders up to ten percent (10%) of the original contract value.

Procurement Related to Capital Construction

Contract changes orders shall be processed in accordance with the Construction Management Procedures Manual, and then submitted to the Capital Projects Purchasing Manager. The Superintendent, Associate Superintendent of Business Services, and Director of Construction, Maintenance & Facilities may approve contract change orders related to capital construction up to ten percent (10%) of the original contract value.

Contract change orders in excess ten percent (10%) of the original contract value must be brought to the Board for approval, along with recommendation of the budget source or budget modification necessary for funding these change orders.

Legal Reference:
Public Contract Code
20118.4 change or Alteration in Contract
BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Contracts Change Orders

The Board authorizes representatives with signatory authority to approve contract change orders up to ten percent (10%) of the original contract value, within the limits and guidelines specified in AR3312.1 and as allowed by law.

Legal Reference:

PUBLIC CONTRACT CODE
20118.4 Change or Alteration in Contract
BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Bids

Soliciting Pricings For Goods and Services – Non Public Works (Formal Solicitations and Quotations)

Competitive solicitations shall be sought in accordance with the dollar thresholds as stated below: (Public Contract Code 20111)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>3 ORAL QUOTES</th>
<th>3 WRITTEN QUOTES</th>
<th>FORMAL WRITTEN SOLICITATION PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The purchase, rent or lease of equipment, material or supplies</td>
<td>$5,000 – $25,000</td>
<td>$25,001-$83,400*</td>
<td>$83,400-$84,100* and above</td>
</tr>
<tr>
<td>Professional Services</td>
<td>Not Required</td>
<td>$15,000-$83,400</td>
<td>$83,400-$84,100* and above</td>
</tr>
</tbody>
</table>

*This amount is based on 2014 and is adjusted annually in January by the State Superintendent of Public Instruction (PCC 20111).

NOTE: All Contracts, Agreements and Memorandums of Understanding, and all extensions or modifications to Contracts, Agreements and Memorandums of Understanding in excess of $25,001 for general procurement and $50,001 for procurement related to capital construction must be presented to the Board of Trustees for approval and/or ratification.

Contracts, Agreements and Memorandums of Understanding under $25,000 for general procurement and $50,000 for procurement related to capital construction may be approved by district representatives to whom the Board of Trustees has given signatory authority. All such approvals require Board ratification at the next available Board meeting.

Informal Quotations

The District shall seek informal quotations in accordance with Board Policy (see above cf. 3311 and cf. 3312).

1. Oral quotes shall be sought from at least three vendors who offer the same equipment, materials, supplies, or service.

   a. Oral quotes shall be obtained, please complete the “Request for Purchase Order - Oral Quotes” form (form number RPO-OQ1). When obtaining oral quotes remember to confirm all other costs affecting the purchase (i.e. freight, special handling, taxes). This will help to minimize change orders and/or disputes in the future. Written quotes can be obtained in lieu of oral quotes and is highly recommended.
If the awarded quote is not based on the lowest price, a written explanation shall be included on form RPO-OQ1.

Form RPO-OQ1 shall be submitted to purchasing for processing with the Request for Purchase Order (RPO). The RPO cannot be processed until the form RPO-OQ1 is received by the Purchasing Department.

2. Informal written quotes shall be sought from at least three vendors who offer the same equipment, materials, supplies, or service.
   a. As a minimum, the information documented on the written quotes will include: the name of the District employee who obtained the quote; the company’s name and contact information including address, phone number, email, and fax number; the name of the person from the company who quoted the price; expiration date of the quote; detailed description of the item/service being quoted; the price quoted including any service fees, freight charges, special handling costs, etc., and any other information.
   b. If the awarded quote is not based on the lowest price, a written explanation must be included with the written quotes.
   c. The written quotes and written explanation (if applicable) shall be submitted to Purchasing Department for processing with the Request for Purchase Order (RPO). The RPO cannot be processed until the written documentation is received by the Purchasing Department.

Advertised/Competitive Solicitations

The District shall seek competitive proposals/bids through advertisement for contracts exceeding the amount specified in law, and as annually adjusted by the State Superintendent of Public Instruction or by Board Policy (see above cf. 3311 and cf. 3312) for any of the following: (Public contract Code 20111; Government Code 53060)

1. The purchase of equipment, materials, or supplies to be furnished, sold, or leased to the district.
2. Professional Services.

The District shall secure proposal pursuant to Public Contract Code 20111 and 20112 for any transportation service expenditure of more than $10,000 when contemplating that such a contract may be made with a person or corporation other than a common carrier, municipally owned transit system, or a parent/guardian of students who are to be transported. The District may let this contract to other than the lowest proposer/bidder. (Education Code 39802)

"Maintenance" means routine, recurring and usual work for preserving, protecting and keeping a district facility operating in a safe, efficient and continually usable condition for the intended purpose for which it was designed, improved, constructed, altered or repaired. "Maintenance" includes, but is not limited to, carpentry, electrical, plumbing, glazing and other craft work.
designated to preserve the facility as well as repairs, cleaning and other operations on machinery and other permanently attached equipment. This definition does not include, among other types of work, janitorial or custodial services and protection provided by security forces, nor does it include painting, repainting or decorating other than touchup. (Public Contract Code 20115)

No work, project, service, or purchase shall be split or separated into smaller work orders or projects for the purpose of evading the legal requirements of Board Policy and/or Public Contract Code 20111-20118.4 for contracting after competitive solicitation/bidding has taken place.

When letting a contract for the procurement and/or maintenance of electronic data processing systems and supporting software, the District may contract with anyone of the three lowest responsible proposers/bidders. (Public Contract Code 20118.1)

Instructions and Procedures for Advertised Formal Proposals/Bids

The Superintendent or designee shall call for proposals/bids by placing a notice at least once a week for two weeks in a local newspaper of general circulation published in the district, or if no such newspaper exists, then in some newspaper of general circulation, circulated in the county, and may post the notice on the district’s web site or through an electronic portal. The notice shall state the work to be done or materials or supplies or services to be furnished and the time and place and web site where proposals/bids will be opened. The district may accept a proposal/bid that has been submitted electronically or on paper (Public Contract Code 20112)

The notice shall contain the time, date, and location of any mandatory meetings and/or site visits. The notice shall also detail when and where additional documents, including final plan and specifications, are available. Any such mandatory visit or meeting shall not occur within a minimum of five calendar days of the publication of the initial notice. (Public Contract Code 6610)

Proposals/Bids shall not be accepted after the advertised proposal/bid opening time regardless of whether the proposals/bids are actually opened at that time. (Public contract Code 20112)

When two or more identical lowest or highest proposals/bids are received, the Board may, for contracts subject to Public Contract Code 20117, determine by lot which proposal/bid shall be accepted.

After being opened and awarded, all submitted proposals/bids become public records pursuant to Government Code 6252 and shall be made available for review pursuant to law, Board policy, and administrative regulation.

(cf. 1340 – Access to District Records)

Alternative Bid Procedures for Technological Supplies and Equipment

Upon a finding by the Board that a particular procurement qualifies for the alternative procedure, the district may acquire computers, software, telecommunications equipment, microwave
equipment, and other related electronic equipment and apparatus through competitive negotiation. This procedure shall not apply to contracts for construction or for the procurement of any product that is available in substantial quantities to the general public. (Public Contract Code 20118.2)

The competitive negotiation shall include, but not be limited to, the following requirements: (Public Contract Code 20118.1)

1. The Superintendent or designee shall prepare a Request for Proposals (RFP) that shall be submitted to an adequate number of qualified sources, as determined by the district, to permit reasonable competition consistent with the nature and requirement of the procurement.
2. Notice of the RFP shall be published at least twice in a newspaper of general circulation, at least 10 days before the date for receipt of the proposals.
3. The district shall make every effort to generate the maximum feasible number of proposals from qualified sources and shall make a finding to that effect before proceeding to negotiate if only a single response to the RFP is received.
4. The RFP shall identify all significant evaluation factors, including price, and their relative importance.
5. The district shall provide reasonable procedures for the technical evaluation of the RFPs received the identifications of qualified sources, and the selection for the award of the contract.
6. An award shall be made to the qualified vendor whose proposal meets the evaluation standards and will be most advantageous to the district with price and all other factors considered.
7. If an award is not made to the vendor whose proposal contains the lowest price, then the district shall make a finding setting forth the basis for the award.
8. The district, at its discretion, may reject all proposals and request new RFPs.
9. Provisions in any contract concerning utilization of small business enterprises that are in accordance with the RFP shall not be subject to negotiation with the successful proposer.

Bids Not Required

Without advertising for bids and upon a determination that it is in the best interest of the district, the Board may authorize, by contract, lease, requisition, or purchase order, another public corporation or agency to lease data-processing equipment or to purchase materials, supplies, equipment, automotive vehicles, tractors, and other personal property for the district in the manner that the other public corporation or agency is authorized to make the leases or purchases from a vendor (“piggyback”). (Public Contract Code 20118)

(cf. 3300 – Expenditures and Purchases)

Alternatively, if there is an existing contract between a public corporation or agency and a vendor for the lease or purchase of personal property, the district may authorize the lease or purchase of personal property directly from the vendor by contract, lease, requisition, or
purchase order and make payment to the vendor under the same terms that are available to the public corporation or agency under the contract (Public Contract Code 20118)

Supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software packages, or periodicals may be purchased in any amount without taking estimates or advertising for bids. (Public Contract Code 20118.3)

## Construction Bids

The District has adopted the California Uniform Public Construction Cost Accounting Act procedures under Public Contract Code 22000 et. seq. (the “Act”)

Competitive bids, for “Public projects” as defined in the Act shall be sought in accordance with the dollar thresholds as stated below: (Public Contract Code 22032, et. seq.)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>MINIMUM NUMBER OF WRITTEN QUOTES</th>
<th>CONTRACT AGREEMENT PROCESS</th>
<th>APPROVAL PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Projects involving an expenditure of $45,000 or less</td>
<td>Less At or less than $1,000 – (1) quote, Less Greater than $1,000 and at or less than $5,000 – (2) quotes, More than $5,001 – (3) quotes.</td>
<td>Can be let on Purchase Order or Micro agreement (Payment bond required over $25,000), Insurance not less than $1,000,000</td>
<td>Ratified on PO report monthly at Board of Trustees meetings</td>
</tr>
<tr>
<td>Public Projects involving an expenditure greater than $45,000 and up to $175,000</td>
<td>Solicit RFP informal bids for (10) days, minimum Number of bids: three (3)</td>
<td>Informal Agreement (Field Agreement) Notice of Intent, 100% Bonds, insurance not less than $1,000,000, certifications</td>
<td>Ratified on PO report monthly report at Board of Trustees meetings, and Associate Superintendent authorized to approve agreement, Notice to Proceed (NTP)</td>
</tr>
<tr>
<td>Public Projects involving an expenditure greater than $175,000</td>
<td>Solicit minimum (3) weeks for Sealed bids from Pre-qualified Bidder’s list</td>
<td>Formal agreement, 100% Bonds, insurance not less than $1,000,000, certifications</td>
<td>Requires Board Approval, Notice of Award (NOA), NTP</td>
</tr>
</tbody>
</table>

## Informal Bids

Approved: 03/30/11, 04/29/11, 07/14/11, 04/12/13,
Public projects, as defined by the Act and in accordance with the limits listed in Section 22032 of the Public Contract Code, may be let to contract by informal procedures as set forth in Section 22032, et seq., of the Public Contract Code.

The Board of Trustees has delegated the authority to award informal contracts to the Associate Superintendent of Business Services. For this purpose an informal agreement, contract short form and/or Purchase Order will be used.

### Contractors List

A list of contractors shall be developed and maintained in accordance with the provisions of Section 22034 of the Public Contract Code and criteria promulgated from time to time by the California Uniform Construction Cost Accounting Commission.

### Advertised Bids

The District shall seek competitive bids through advertisement for contracts involving an expenditure of greater than $175,000 for a public project, and seek we solicit the District Pre-Qualified Bidder’s list. The District seeks quotes, when feasible, for projects involving an expenditure of $45,000 or less.

"Public project" includes construction, reconstruction, erection, alteration, renovation, improvement, painting, repainting, demolition and repair work involving a District owned, leased or operated facility. (Public Contract Code 22002)

"Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:

a) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.
b) Minor repainting.
c) Resurfacing of streets and highways at less than one inch.
d) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.
e) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, power plants, and electrical transmission lines of 230,000 volts and higher. (Public Contract Code 22002(d)

Unless otherwise authorized by law, contracts shall be let to the lowest responsible bidder who shall give such security as the Governing Board requires, or else all bids shall be rejected. (Public Contract Code 20111)
No work, project, service or purchase shall be split or separated into smaller work orders or projects for the purpose of evading the legal requirements of Public Contract Code 20111-20118.4 or the “Act” for contracting after competitive bidding. (Public Contract Code 20116)

**Instructions and Procedures for Advertised Construction Bids**

The Superintendent or designee shall call for bids by advertising in a local newspaper of general circulation published in the district, circulated in the county, or if no such paper exists then in some newspaper of general circulation, at least once a week for two weeks. The notice shall state the work to be done or materials or supplies to be furnished and the time and place where bids will be opened. (Public Contract Code 20112)

The notice shall contain the time, date and location of any mandatory pre-bid conference, site visit or meeting. The notice shall also detail when and where project documents, including final plan and specifications, are available. Any such mandatory visit or meeting shall not occur within a minimum of five calendar days of the publication of the initial notice. (Public Contract Code 6610)

Bid instructions and specifications shall include the following requirements and information:

1. Recycled Content and Recycled Products (Public Contract Code 22150 et seq.)
   a. All bidders, including bidders for printing contracts, shall specify the minimum, if not exact, percentage of recycled product in the paper products offered, and both the postconsumer and secondary waste content.
   b. Fitness and quality being equal, the District shall purchase recycled products whenever available at no more than the total cost of non-recycled products.

2. All bids for construction work shall be presented under sealed cover and shall be accompanied by one of the following forms of bidder's security: (Public Contract Code 20107, 20111) The required security amount is stated in the District Bid Bond Document 00 43 13.
   a. Cash
   b. A cashier's check made payable to the District
   c. A certified check made payable to the District
   d. A bidder's bond executed by an admitted surety insurer and made payable to the District

The security of unsuccessful bidders shall be returned in a reasonable period of time, in no event any later than 60 days after the bid is awarded. (Public Contract Code 20111)

1. Bids shall not be accepted after the advertised bid opening time, regardless of whether the bids are actually opened at that time. (Public Contract Code 20112)
2. When two or more identical lowest or highest bids are received, the Board may determine by lot which bid shall be accepted. (Public Contract Code 20117)

3. If the district requires that the bid include prices for items that may be added to or deducted from the scope of work in the contract, the bid solicitation shall specify which one of the following methods will be used to determine the lowest bid. In the absence of such a specification, only the method provided in item #a, below, will be used: (Public Contract Code 20103.8)

4. The lowest bid shall be the lowest total of the bid price on the base contract without consideration of the prices on the additive or deductive items.

   a. The lowest bid shall be the lowest total of the bid prices on the base contract and those additive or deductive items that were specifically identified in the bid solicitation as being used for the purpose of determining the lowest bid price.

   b. The lowest bid shall be the lowest total of the bid prices on the base contract and those additive or deductive items that, when taken in order from a specifically identified list of those items in the solicitation, and added to or subtracted from the base contract, are less than or equal to a funding amount publicly disclosed by the district before the first bid is opened.

   c. The lowest bid shall be determined in a manner that prevents any information that would identify any of the bidders or proposed subcontractors or suppliers from being revealed to the district before the ranking of all bidders from lowest to highest has been determined. (Public Contract Code 20103.8)

5. Any subsequent change or alteration of a contract shall be governed by the provisions of Public Contract Code 20118.4.

6. After being opened, all submitted bids become public records pursuant to Government Code 6252 and shall be made available for review pursuant to law, Board policy, and administrative regulation.

**Bids Not Required**

Contracts for professional services or advice and insurance services do not require competitive bids (PCC 20111).

In an emergency when any repairs, alterations, work or improvement to any school facility is necessary to permit the continuance of existing school classes, or to avoid danger to life or property, the Board, by unanimous vote and with the approval of the County Superintendent of Schools, may contract for labor and materials or supplies without advertising for or inviting bids. (Public Contract Code 20113)
Bids shall also not be required for day labor under circumstances specified in law. Day labor shall include the use of maintenance personnel employed on a permanent or temporary basis. (Public Contract Code 20114)

Public projects of forty-five thousand dollars ($45,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order. (Public Contract Code 22032)

1. School building repairs, alterations, additions
2. Painting, repainting or decorating of school buildings
3. Repair or building of apparatus or equipment
4. Improvements on school grounds
5. Maintenance work as defined above (Public Contract Code 22002 (d)).

**Sole Sourcing Brand Names**

In any contract for the construction, alteration, or repair of school facilities, the Superintendent or designee shall not draft the bid specification in a manner that, either directly or indirectly, limits bidding to any one specific concern or calls for a designated material, product, thing, or service by a specific brand or trade name, unless the specification designating the specific material, product, thing, or particular brand name is followed by the words "or equal" so that bidders may furnish any equal material, product, thing, or service. In such cases, the bid specification shall provide a time period, before and/or after the award of the contract, for the contractor to submit data substantiating the request for substituting the designated material, product, thing, or service. If no such time period is specified, the contractor may submit the data within 35 days after the award of the contract. (Public Contract Code 3400)

Pursuant to Public Contract Code 3000-3010, added by AB 635 (Ch. 438, Statutes of 2010), for the repair or replacement of the roof of a public facility, a material is considered "equal" if it meets specific requirements, as specified below.

When the bid is for a roof project, a material, product, thing, or service is considered "equal" to the one designated if it is equal in quality, durability, design, and appearance; will perform the intended function equally well; and conforms substantially to the detailed requirements in the bid specification. (Public Contract Code 3002)

However, the Superintendent or designee may designate a specific concern, material, product, thing, or service by brand or trade name (sole sourcing), if the Board has made a finding, described in the invitation for bids or RFP, that a particular material, product, thing, or service is designated for any of the following purposes: (Public Contract Code 3400)

1. To conduct a field test or experiment to determine its suitability for future use.
2. To match others in use on a particular public improvement that has been completed or is in the course of completion.
3. To obtain a necessary item that is only available from one source.
4. To respond to the Board's declaration of an emergency, as long as the declaration has
been approved by four-fifths of the Board when issuing the invitation for bid or RFP.

Specifications for contracts may designate a product by brand or trade name (sole sourcing) when one or more of the following conditions apply: (Public Contract Code 3400)

**Prequalification Procedure**

For any contract for which bids are legally required, the Board may require that each prospective bidder complete and submit a standardized questionnaire and financial statement. For this purpose, the Superintendent or designee shall supply a form which requires a complete statement of the bidder's financial ability and experience in performing public works.

Prospective bidders shall submit the questionnaire and financial statement at least five days before the date fixed for public opening of sealed bids. The information shall be verified under oath in the manner in which civil pleadings in civil actions are verified. The questionnaires and financial statements shall not be public records and shall not be open to public inspection. (Public Contract Code 20111.5)

The Superintendent or designee shall establish a uniform system for rating bidders on the basis of completed questionnaires and financial statements in order to determine the size of contracts on which each bidder is qualified to bid. Bidders must be deemed prequalified by the district at least five days before the fixed bid-opening date. (Public Contract Code 20111.5)

The Superintendent or designee shall furnish each qualified bidder with a standardized proposal form. Bids not presented on the standard form shall be disregarded. (Public Contract Code 20111.5)

The District may establish a procedure for prequalifying bidders on a quarterly basis and may authorize that prequalification be considered valid for up to one calendar year following the date of the initial prequalification. (Public Contract Code 20111.5)

**Appeal Procedures**

Contractors will be allowed to appeal a negative pre-qualification determination in accordance with California Public Contract Code §20101.d. There is no appeal from a refusal for an incomplete or late application. Without a timely appeal, the Contractor waives any and all rights to challenge the decision of the District, whether by administrative process, judicial process or any other legal process or proceeding.

In conjunction with this Prequalification Policy, the District hereby establishes a Bidder Prequalification Appeals Panel ("Appeals Panel"), consisting of the following two (3) members, or their designee(s):

Approved: 03/30/11, 04/29/11, 07/14/11, 04/12/13,
1. The District's Director Construction/Maintenance/Facilities Management, Associate Superintendent of Business Services
2. The District's Capital Projects, Purchasing Manager, Assistant Director of Capital Accounting
3. The District's Senior Manager of Internal Controls

The sole issue before the Appeals Panel shall be the scoring of a Contractor. The decision of the Appeals Panel shall be the District's final administrative decision.

The date for submission and opening of bids for a specific project will not be delayed or postponed to allow for completion of an appeal process.

Process:

1. Prior to disqualifying a contractor, the District shall serve written notice on the contractor:
   a. Setting forth the reasons for the disqualification.
   b. Indicating that the contractor will be afforded an opportunity to appeal the disqualification as outlined below. Effective notice shall be accomplished by certified mail, return receipt requested, to the last known address of the contractor, or the contractor's agent for service of process, or any of its principal officers, partners, owners or affiliated.

2. The contractor shall submit his appeal in writing with the Director of Construction/Maintenance/Facilities Management no later than 4:00 p.m. of the FIFTH (5th) business day following the day on which the notice of rejection was mailed to the contractor.

3. The District shall act upon properly filed requests within ten calendar days from the date of receipt of such request. If, after review, the District again rejects the contractor's application, the contractor may request an administrative hearing with the panel.

4. At the hearing, the contractor may present oral testimony concerning the contractor's qualifications, capability and responsibility. The District shall notify the contractor of its decision within five business days following the hearing. The decision of the panel is final.

5. A contractor, who is denied prequalification, shall be disqualified in the same type of work or category of value for a period of one year thereafter.

**Formal Bid Opening Procedures**

a. Bid due date procedures: Post signs around the Education Center to instruct the bidders of the name of the bid, description, confirm the room reservation, time of the Bid Opening, and that each Bid must be time and date stamped and delivered to the
Purchasing Office.

b. Check the time on the date and time stamp clock to see that it is correct. **If not, call Pacific Bell AT&T and correct the time.** Then stamp in each bid. Check the list pre-qualified bid list to confirm that the bidders are listed on the Pre-qualified Bidders List (if required for this bid).

c. Check setup of the bid opening room. The Bidders can wait in the lobby after their bids are stamped. They may also be taken to “bid opening” room to wait for the bid opening if the room is available prior to the bid opening.

d. About 15 minutes before the Bid Opening, check the folder of the bid to be opened and any other folders, and the mail room to make sure all bids have been received. *(Are bidders on the Pre-qualified Bidders List?)*

e. Bidders waiting in the lobby can be taken to the room reserved for the bid opening 5 to 10 minutes before the bid opening.

f. Check the time. Do not accept any bids that arrive after the time set for bid opening. Then go to the room reserved for the bid opening.

g. Announce that bidding time for [project name] is now closed and bids will be opened. Distribute a sheet for the signatures of bidders and district district staff present. Distribute a bid tabulation spreadsheet on which the bids may be recorded.

h. State the procedure of the Bid Opening. No questions on bids will be answered at the end of the opening of all bids. If there are any concerns, a letter may be sent to the Capital Purchasing Office within (5) days and it will be answered. Announce that if there are any unanswered legal questions, we will seek legal counsel advice and get back to them.

i. Open bids one at a time. Check the following: (1) Is the bid in a sealed envelope? (2) Does the time and date stamp meet the bid requirements? (3) Was the District’s Proposal Form used? (4) Does the bid have an Original Signature? (5) Has bid security been enclosed *(Bond, Cashier’s Check, etc.)* along with other required forms and (6) Read and record the amounts that are bid.

j. Announce that all bids are subject to further review and the award recommendation will be made to the Board of Trustees at its meeting on Month, Day, and Year.

k. Inform the bidders that the contract will be ready on the morning after the Board meeting. The contract must be returned within (10) calendar days with signatures (acknowledged by a notary public who is authorized to do business in the State of California), and with the required bonds, insurance certificates of companies authorized to do business in the State of California and other required documents.
1. Remind all bidders that all paperwork must be signed and returned to the District before work is started on the site. Thank the bidders for submitting bids.

Protests by Bidders

A bidder may protest a bid award if he/she believes that the award was inconsistent with Board policy or the bid's specifications or was not in compliance with law.

A protest must be filed in writing with the Superintendent or designee within five working days after receipt of notification of the contract award. The bidder shall submit all documents supporting or justifying the protest. A bidder's failure to timely file a protest shall constitute a waiver of his/her right to protest the award of the contract.

Any bidder submitting a Bid Proposal may file a protest of the District's intent to award the Contract provided that each and all of the following conditions are met:

1. The protest must be submitted in writing to the District (e-mail is not acceptable), before 4 p.m. of the fifth (5th) business day following bid opening.

2. The initial protest document must contain a complete statement of any and all bases for the protest, including without limitation all facts, supporting documentation, legal authorities and argument in support of the grounds for the bid protest; any matters not set forth in the written bid protest shall be deemed waived. All factual contentions must be supported by competent, admissible and creditable evidence.

3. The protest must refer to the specific portions of all documents that form the bases for the protest.

4. The protest must include the name, address and telephone number of the person representing the protesting party.

5. Any bid protest not conforming to the foregoing shall be rejected by the District as invalid.

The Superintendent or designee shall review the documents submitted with the bidder’s claims and render a decision in writing within 30 days. The Superintendent or designee also may convene a meeting with the bidder in order to attempt to resolve the problem. Provided that a bid protest is filed in strict conformity with the foregoing, the District's Associate Superintendent, Business Services, or such individual(s) as may be designated by him/her, shall review and evaluate the basis of the bid protest. The District's Associate Superintendent, Business Services or other individual designated by him/her shall provide the bidder submitting the bid protest with a written statement concurring with or denying the bid protest.

The bidder may appeal the Superintendent or designee’s decision to the Board. The Superintendent or designee shall provide reasonable notice to the bidder of the time for Board consideration of the contract award. The District's Governing Board will render a final
determination and disposition of a bid protest by taking action to adopt, modify or reject the disposition of a bid award as reflected in the written statement of the Associate Superintendent, Business Services or his/her designee. Action by the District's Governing Board relative to a bid award shall be final and not subject to appeal or reconsideration by the District, any employee or officer of the District or the District's Governing Board. The rendition of a written statement by the Associate Superintendent, Business Services (or his/her designee) and action by the District's Governing Board to adopt, modify or reject the disposition of the bid award reflected in such written statement shall be express conditions precedent to the institution of any legal or equitable proceedings relative to the bidding process, the District's intent to award the Contract, the District's disposition of any bid protest or the District's decision to reject all Bid Proposals.

The procedure and time limits set forth in this paragraph are mandatory and are the Bidder's sole and exclusive remedy in the event of bid protest. Failure to comply with these procedures shall constitute a waiver of any right to further pursue the bid protest, including filing a Government Code Claim or legal proceedings.

**Rejection of Formal Bids; Award of Contract, Force Account; Remedies**

In its discretion, the District may reject any bids presented. If after the first invitation of bids all bids are rejected, after reevaluating the cost estimates of the project, the Board shall have the option of any of the following (PCC 22038):

a) Abandoning the project or re-advertising for bids in the manner described herein.

b) By passage of a resolution by a four-fifths vote of the Board, declaring that the project can be performed more economically by the employees of the public agency, may have the job done by force account (PCC 22038).

c) If a contract is awarded, it shall be awarded to the lowest responsible bidder. If two or more bids are the same and the lowest, the Board may accept the one it chooses. (PCC 22038).

d) If no bids are received by the formal or informal procedure, the project may be performed by force account or negotiated contract. (PCC 22038)

e) Any subsequent change or alteration of a contract shall be governed by the provisions of (PCC 20118.4).

f) Following completion of the work of the Agreement by the Contractor, and the Capital Projects Purchasing Manager, the Purchasing Manager shall execute and record the Notice of Completion at the Santa Clara County Recorder's Office for projects over $25,000. In addition, the Board should accept the work of the contract as completed in accordance with the terms of the contract. Notification will be presented to the Board Monthly on a written report. (Civil Code Section 9200-9208)
WHEREAS Education Code Section 42641 provides that the Board of Trustees may
issue payroll orders to be drawn for the payment of salaries and wages of employees; and (1)

WHEREAS Education Code Section 42633 requires the Board of Trustees to file with the
County Superintendent of Schools verified signatures of all persons authorized to sign orders in
its name. (2)

NOW, THEREFORE BE IT RESOLVED that the East Side Union High School
District’s Board of Trustees authorizes and empowers any of the following to sign any and all
orders in the name of said district drawn on the funds of said district.

Payroll Orders/Warrants(1)          Contracts (2)
Chris D. Funk          Chris D. Funk
Marcus Battle          Marcus Battle
Juan Cruz              Juan Cruz
Karen Poon             Karen Poon
Cari Vaeth             Cari Vaeth
Julie Kasberger        Julie Kasberger
Donna Bertrand         Donna Bertrand
Janice Unger           Janice Unger
Toby Hopstone          Toby Hopstone
Linda da Silva         Linda da Silva

BE IT FURTHER RESOLVED that the authority granted to the person above to sign
contracts in the name of the District shall extend only to those contracts lawfully approved by the
Board and which are within the limits specified in law or under Board policy or by Board
directive or action.

PASSED AND ADOPTED by the Board of Trustees of the East Side Union High School
District, this ______ day of ____________, 2014, by the following vote:

AYES ______
NOES ______
ABSENT ______
ABSTAIN ______

I, ______________________, _______ President ______ of the Board of Trustees of the
East Side Union High School of Santa Clara County, California, do hereby certify that the
foregoing is a full, true, and correct copy of a resolution adopted by the Board at a meeting
thereof held at its regular place of meeting on the date shown above and by the vote above stated,
which resolution is on file in the office of said Board.

________________________________
ESUHSD, Board President
EAST SIDE UNION HIGH SCHOOL DISTRICT

Board Policy: Expenditures and Purchases

The Governing Board recognizes its fiduciary responsibility to oversee the prudent expenditure of district funds. In order to best serve district interests, the Superintendent or designee shall develop and maintain effective purchasing procedures that are consistent with sound financial controls and that ensure the district receives maximum value for items purchased. He/she shall ensure that records of expenditures and purchases are maintained in accordance with law.

(cf. 3000 - Concepts and Roles)
(cf. 3100 - Budget)
(cf. 3350 - Travel Expenses)
(cf. 3400 - Management of District AssetsAccounts)
(cf. 3460 - Financial Reports and Accountability)
(cf. 9270 - Conflict of Interest)

Expending Authority

The Superintendent or designee may purchase supplies, materials, apparatus, equipment, and services up to the amounts specified in Public Contract Code 20111, beyond which a competitive bidding process is required. The Board shall not recognize obligations incurred contrary to Board policy and administrative regulations.

(cf. 3311 - Bids)
(cf. 3312 - Contracts)

The Board shall review all transactions entered into by the Superintendent or designee on behalf of the Board every 60 days. (Education Code 17605)

The Superintendent or designee may authorize an expenditure which exceeds the budget classification allowance against which the expenditure is the proper charge only if an amount sufficient to cover the purchase is available in the budget for transfer by the Board.

(cf. 3110 - Transfer of Funds)

District funds shall not be expended for the purchase of alcoholic beverages. (Education Code 32435)

Purchasing Procedures

Insofar as possible, goods and services purchased shall meet the needs of the person or department ordering them at the lowest price consistent with standard purchasing practices. Maintenance costs, replacement costs, and trade-in values shall be considered when
determining the most economical purchase price. When price, fitness, and quality are equal, recycled products shall be preferred when procuring materials for use in district schools and buildings.

(cf. 3314.2 - Revolving Funds)  
(cf. 3440 - Inventories)  
(cf. 3511.1 - Integrated Waste Management)

All purchases shall be made by formal contract or purchase order or shall be accompanied by a receipt. In order to eliminate the processing of numerous small purchase orders, the Superintendent or designee may create a "blanket" or "open" purchase order system for the purchase of minor items as needed from a vendor. He/she shall ensure that the "open" purchase order system details a maximum purchase amount, the types of items that can be purchased under this order, the individuals authorized to approve purchases, and the expiration date of the "open" order.

Legal Reference:
EDUCATION CODE
17604 Delegation of powers to agents; approval or ratification of contracts by governing board  
17605 Delegation of authority to purchase supplies and equipment  
32370-32376 Recycling paper  
32435 Prohibited use of public funds, alcoholic beverages  
35010 Control of district; prescription and enforcement of rules  
35035 Powers and duties of superintendent  
35160 Authority of governing boards  
35250 Duty to keep certain records and reports  
38083 Purchase of perishable foodstuffs and seasonal commodities  
41010 Accounting system  
41014 Requirement of budgetary accounting  
GOVERNMENT CODE  
4330-4334 California made materials

PUBLIC CONTRACT CODE  
3410 U.S. produce and processed foods  
20111 Contracts over $50,000; contracts for construction; award to lowest responsible bidder

Management Resources:
CSBA PUBLICATIONS  
Maximizing School Board Governance: Fiscal Accountability, 2006  
WEB SITES  
CSBA, Financial Services: http://www.csba.org/fs  
California Association of School Business Officials: http://www.casbo.org  
California Department of Education: http://www.cde.ca.gov

Adopted: 03/11/04  
Amended: 05/21/09
I. Audit Committee Authority

The East Side Union High School District (ESUHSD) has established an Audit Committee to assist the Board of Trustees (Board) in the oversight of both the internal and external audit functions. The ability to create an Audit Committee was established by ESUHSD BP 3460.

II. Mission

The primary responsibility for financial and other reporting, internal control, and compliance with laws, regulations, and ethics within the ESUHSD rests with the Superintendent and his / her management team. The Board has oversight responsibilities in these areas and the Audit Committee is to assist the Board in fulfilling these responsibilities.

The Board Members who are members of the Audit Committee shall, on behalf of the Audit Committee, have unrestricted access to all information, including documents and personnel, and have adequate resources in order to fulfill its oversight responsibilities. All confidential information shall be maintained as confidential in accordance with Board policy and law, and shall not be provided or distributed to public members of the Committee.

In adopting this Charter the Board directs that District Administration shall work cooperatively with the Committee to promptly and fully respond to all requests for information and documentation.

The Board has established an Audit Committee to serve in an advisory capacity to the Board and shall:

1) Assist the Board in providing oversight of the external/internal audit functions by:
   a. Making recommendations regarding the selection of the external independent auditor,
   b. Reviewing the plan for the audit process with the independent auditor to determine the adequacy of the nature, scope, and timetable of the audit,
   c. Reviewing the results of the audit and participate with the independent auditor and the Board in preparing final recommendations and responses,
   d. Participating with the independent auditor in presenting the audit report to the Board,
   e. Reviewing Board policies and administrative regulations to recommend any revisions needed to ensure effective financial reporting,
   f. Periodically reporting to the Board regarding the status of previous audit recommendations for improving the accounting and internal control functions, and
   g. Providing input on the effectiveness of the external independent auditor.
2) Assist the Board in providing oversight of the external/internal audit functions
3) Assist the Board in complying with its fiduciary oversight obligations;
4) Provide a communication link between the external and/or internal auditor and the Board
5) Provide greater transparency over public funds while improving public trust

III. Membership

The Audit Committee consists of five voting members appointed by the Board as follows:

1) Two Board members, who shall serve as Chair and Vice Chair of the Committee as determined by the Board. The Board President may not concurrently serve on the Audit Committee.
2) Three public members.

The Board may appoint an alternate public member. The alternate’s responsibility is to temporarily substitute, with full voting powers, for any Audit Committee member who is absent from a meeting.

All voting members of the committee must reside within the boundaries of the East Side Union High School District.

The Board may appoint non-voting members with specific expertise to the committee. There is no residency requirement for non-voting members.

Appointment of Board members to the Audit Committee will be made at the Board’s annual organizational meeting in December or as vacancies occur.

Board member terms shall be for one year beginning on the date of appointment at the Board’s annual organizational meeting in December and ending the following year at the Board’s next annual organizational meeting.

Public members will be appointed at the first regular Board meeting in January. Notification of the appointment process shall be posted at least 30 days prior to the appointment date. 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.

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 terms a member may serve is four. A termed out member is eligible for appointment again after not serving for at least one year.

The members of the Audit Committee must collectively possess knowledge and experience in accounting, auditing, financial reporting, and school district finances needed to understand and evaluate the district’s financial statements, the external audit of those statements, and the district’s internal audit activities. Accordingly, the Audit Committee members should:
1) Be independent of the day-to-day management of the ESUHSD,
2) Possess the required skills and experience necessary to understand technical and complex financial reporting issues,
3) Have the ability to communicate with and offer advice and assistance to the Board, the external auditors, and the internal auditor,
4) Be knowledgeable about internal controls, financial statement audits, and managerial/operational audits
5) Be available to take training in educational finance

The following individuals cannot serve on the Audit Committee:

- a) Any person who, within the two years prior to appointment, has been an employee of the ESUHSD or sold goods or services to the ESUHSD,
- b) Anyone who, within the past two years, owns or has a direct and material interest in an entity, or who holds a leadership position in any entity, which provides substantial goods or services to the ESUHSD pursuant to purchase order or contract (either individually or under a fictitious business name),
- c) A close or immediate family member of anyone who would be prohibited from serving on the Audit Committee under a) through b) above. The term “close or immediate family member” includes parent, sibling, nondependent child, spouse or domestic partner, or dependent (whether or not related),

Exceptions are as follows:

- d) An individual who would otherwise be excluded may serve if, after full disclosure to the Board, the potential conflict of interest is not material,
- e) Any member who develops a conflict of interest while on the Audit Committee must disclose such conflict. The other Audit Committee members at the next meeting shall, by majority vote, make a recommendation to the Board. The Board shall decide whether or not to remove and replace the affected member. Should a vacancy occur, the Board will notify the public of the opening, accept applications and appoint an individual to serve the balance of the vacated term.

If a vacancy among the voting public members occurs, the Board may appoint the alternate public member to fill the term of the vacated member.

The Audit Committee Chair and Vice Chair shall recommend to the Board as to when (as quickly as possible or in conjunction with the annual appointment of public member(s)) a new alternate public member shall be appointed.
IV. Duties and Responsibilities

*Internal Control*

The Audit Committee monitors the fiscal health of the ESUHSD and the relationship between its spending and its adopted budget. To carry out this duty, the Audit Committee:

1) Reviews the effectiveness of the ESUHSD’s accounting organizational structure, and operations
2) Reviews the ESUHSD’s internal controls, the adequacy of such controls, and recommends changes to management and the Board,
3) Reviews with the Superintendent and other management personnel the adequacy of systems and procedures for protecting information,
4) Inquires of the Superintendent and other management personnel about significant financial risks or exposures facing the ESUHSD, assesses the steps the ESUHSD has taken, or proposes to take, to minimize such risks to the ESUHSD, and periodically review compliance with such steps,
5) Review with the Superintendent and other management personnel:
   a. Significant findings with respect to any management financial review including that of the Audit Committee, during the year and responses thereto,
   b. Any difficulties review teams or personnel encountered in the course of their review, including any restrictions on the scope of their work or access to required information,
   c. Any changes required in the scope of the review.
6) Reviews with the independent auditors, the Superintendent, and financial management personnel:
   a. The adequacy of the ESUHSD’s internal controls including computerized information system controls and security,
   b. Any related significant findings and recommendations of the independent auditors together with management’s responses thereto, and
   c. The clarity and transparency of financial information and disclosures.

The Audit Committee reviews the ESUHSD’s procedures for monitoring compliance with the Code of Conduct.

The Audit Committee recommends procedures for the confidential, anonymous submission of concerns about questionable accounting or auditing matters or suspected fraud. At the request of the Board, it reviews any submissions that are received, the current status of the review, and the resolutions, if any.

Assist the Board in providing oversight of the external audit functions

*General*

The Audit Committee

- Shall perform its duties in good faith, in a manner to be in the best interests of the Audit Committee and the ESUHSD which a reasonably prudent person in a similar position would use under similar circumstances,
• Shall have an obligation to the ESUHSD to maintain strict confidentiality regarding confidential information it may have access to,
• Shall meet at least three times per calendar year, and at additional times when necessary, to fulfill its responsibilities,
• Shall receive training and comply with the Brown Act
• May ask members of management or others to attend its meetings and provide pertinent information as necessary,
• In consultation with the Board may have access to all information it deems necessary to carry out its duties, consistent with California law,
• May request information from the ESUHSD that is deemed necessary to carry out its duties and responsibilities. Only the Audit Committee Chair will make these requests for information. Any member wishing to request information will do so by submitting the approved Committee request form to the Audit Committee Chair for approval. If the Audit Committee Chair approves the request, the Chair will send the request to the Board for processing. If the Chair does not approve the request, a majority of the Audit Committee may override the request denial. In the event of an override, the Chair is required to submit the request to the Board.

A quorum constitutes a simple majority of the total voting membership and meetings will not be conducted unless a quorum is present.

Every attempt will be made to make decisions by consensus of the voting members present. Consensus is defined as an acceptable solution that all can agree to support. If consensus cannot be reached, polling of the voting membership will take place. Any decision of the Audit Committee requires an affirmative vote by the majority of the committee’s voting membership. Voting members who are physically absent from a meeting can participate through audio or video means. Proxies CANNOT be granted.

The Audit Committee may recommend to the Board the engagement of professional consultants. The authority to engage professional consultants rests exclusively with the Board.

The Audit Committee shall report to the Board, at least annually, its activities, findings, and decisions. Reported findings should include any suspected fraud or abuse or material defects in internal management controls, and any significant failure to comply with laws, or district policies or regulations.

The Chair prepares the agenda with consultation with the Vice Chair. Any member wishing to place an item on the agenda will do so by communicating in writing to the Chair.

The Audit Committee shall prepare minutes of each meeting that, at a minimum will include:

• Copies of the meeting agenda,
• Date, attendance, and location of the meeting
• A brief summary of the topics discussed, and
• Any recommendations forwarded to the Board
The Audit Committee may recommend to the Board the dismissal of any member who has had two unexcused absences during the member’s term or three absences, for any reason, in any twelve month time period. Dismissal requires a majority vote of the Board.

**External Auditors**

The Audit Committee oversees the ESUHSD’s engagement of any independent accountants for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services. The Board, acting on the recommendation of the Audit Committee, makes all final decisions concerning the appointment, compensation, and retention of such accountants. All accountants thus engaged report directly to the Audit Committee that will oversee the accountant’s work and evaluates their performance.

The Audit Committee’s oversight responsibility includes:

1) Monitoring the periodic selection of and contracting with, the outside independent auditor in accordance with State law, and reviewing the independence of the audit,
2) Meeting with the independent auditors prior to commencement of the annual audit to review the engagement letter (scope of the work to be performed)
3) Receiving and reviewing the draft annual audit report and draft management letter comments,
4) Reviewing all non-privileged significant written communications between the independent auditors and management, such as any schedule of unadjusted differences,
5) Making a recommendation to the Board concerning acceptance of the annual audit report,
6) Reviewing with management and independent auditors:
   a. The ESUHSD’s annual financial statements, related footnotes, and management’s discussion and analysis,
   b. The independent auditor’s audit of the financial statements and their report thereon, including any management letter comments or schedule of unadjusted differences,
   c. The independent auditor’s judgments about the quality, not just the acceptability, of the ESUHSD’s accounting policies as applied in its financial reporting,
   d. The auditor’s assessment of the ESUHSD’s system of internal controls,
   e. Any significant changes required in the independent auditor’s audit plan,
   f. Restrictions on the auditor’s activities or access to information, and any significant difficulties or disputes with the Superintendent or management encountered during the audit,
   g. Matters required to be discussed by applicable government and professional literature and standards,
   h. All critical accounting policies and practices used by the ESUHSD, any significant changes in these policies and practices, and the degree of aggressiveness or conservatism in applying these policies and practices,
   i. Recent and proposed professional and regulatory pronouncements, especially those having a material impact on the ESUHSD’s financial statements,
   j. All alternative treatments of financial information within Generally Accepted Accounting Principles (GAAP) that have been discussed with the Board, the ramifications of each alternative, and the treatment preferred by the ESUHSD, and
   k. Any corrective action plans developed by the ESUHSD.
The Audit Committee considers, with the Board, the rationale for employing audit firms other than the principal independent auditors for services that the ESUHSD or the independent auditors determine would not be appropriate for the principal independent auditors to perform.

**Internal Audit**

The Audit Committee:

a) If requested, may make recommendations to the Board regarding the selection of an internal auditor,

b) Assists in the oversight of any internal audit function,

c) Reviews the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested,

d) Reviews the results of internal audit activities and significant recommendations and finding of the internal auditor,

e) Monitors implementation of the internal auditor’s recommendations by the Superintendent and/or Board,

The Audit Committee and the internal auditor(s) shall maintain a degree of professional independence when assessing management’s performance of its responsibilities. However, this does not mean that an adversarial role is necessary or desirable as both parties share common goals.

In working to ensure the independence of the internal auditing function and that appropriate actions are taken on audit findings, the Audit Committee shall promote and enhance the mutual cooperation among the Committee, internal auditor(s), and executive management.

V. **Self-Assessment**

The Audit Committee shall review its charter annually, reassesses the adequacy of the charter and recommends any proposed changes to the Board. The Audit Committee considers changes that are necessary as a result of new laws, regulations, or accounting or auditing standards.

The Audit Committee conducts an annual self-assessment and describes to the Board, in a written report, how it discharged its duties.

Adoption and amendments to this charter shall be recommended by an affirmative vote of a majority of the committee and by passage of the Board.

The Audit Committee Chair, at the request of the Board, shall take responsibility for the immediate review and approval of the Internal Auditors hours, vacation requests and expense reimbursements.

DJ/ FEB 10.20.11