

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

December 11, 2018

6:00 PM

East Side Union High School District

Education Center

Superintendent's Conference Room

830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

Chair Lan Nguyen called the meeting to order at 6:07 PM.

Committee members present for roll call:

- *Acting Chair (Vice Chair) Lan Nguyen*
- *Member Dan Juchau*
- *Member Jon Reinke*
- *Member Bruce Berg*
- *Alternate Rajesh Godbole*

External Auditor present:

- *Joyce Peters*

Staff present:

- *Chris Funk*
- *Chris Jew*
- *Kelly Kwong*
- *Julio Lucas*
- *Silvia Pelayo*
- *Janice Unger*
- *Sandy Nguyen*
- *Mary Guillen*

Public present:

- *Board Member Lorena Chavez*

2. Introductions

A welcome is extended to members of the Audit Committee

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

3. Adopt Agenda

*Motion by Member Reinke, second by Member Berg, to adopt the agenda as presented.
Vote: 5/0; Motion carries*

4. Special Order of Business

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

There was no special order of business.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

There were no public speakers.

6. Approval of Minutes

Minutes from the December 11, 2018, meeting will be presented for approval.

Motion by Member Berg, second by Member Juchau, to approve the Board Audit Committee Minutes of December 11, 2018, as presented.

Vote: 5/0; motion carries

External Auditor

7. Discussion/Action: Annual Audit 2017-18

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will provide an update from the final testing and will present the following draft reports for the year ended June 30, 2018:

- 7A. Annual Audited Actual Financial Report
- 7B. 2002 Measure G Fund Annual Financial Report and Performance Audit
- 7C. 2008 Measure E Fund Annual Financial Report and Performance Audit
- 7D. 2012 Measure I Fund Annual Financial Report and Performance Audit
- 7E. 2014 Measure I Fund Annual Financial Report and Performance Audit
- 7F. 2016 Measure Z Fund Annual Financial Report and Performance Audit

Joyce Peters, VTD External Auditor, informed the Committee that this will be her last audit and meeting with the District's Board Audit Committee. It has been six years that she has served ESUHSD as the External Auditor for VTD. Next year Ahmad Gharaibeh will be returning as the partner for VTD. She will present the audit results at the January 2019 Board meeting.

This year, is another clean audit for ESUHSD. The report is consistent with prior years. There are no new items, except for GASB 75, which is the OPEB liabilities. As a result of the OPEB liabilities, the beginning balance in the amount of approximately \$66 million has to be restated for the net positions (see page 74, note 17, restatement of prior year net position).

Page 60 discusses the OPEB liability and how much is in the trust to fund the OBEP. The net OPEB liability is \$38 million.

For the Federal and State compliance, it is also a clean audit. For the Federal compliance, they alternate the audit of a program each year. Any Federal program received over \$750,000 is considered a major program. Every major program is rotated yearly for an audit and has to be audited every three years.

This year, Title I and Child Nutrition Services was audited. There were no findings.

Also, the Bond audit did not have any findings and there are no audit adjustments. The last page on each of the bond audit reports is the performance audit. This shows the fiscal invoices they have selected and the expenditures they have tested. As a result, there are no findings and no exceptions.

Chair / Vice Chair

8. Discussion/Action: Updates

Lan Nguyen, Vice Chair as Acting Chair, will provide updates, if any.

Acting Chair Nguyen shared with the Committee the District is looking at options of saving money in order to reduce the impact to the projected budget deficit. The District is currently looking at the Child Care Program, specifically subcontracting out child care services. The District will ensure teen parents have a place to send their child for child care while in school. He also indicated that child care services will not be interrupted.

Superintendent Funk shared with the Committee the District has five (5) centers currently in operation. The District will maintain the same preschool contracts, but will be subcontracting Santa Teresa, Andrew Hill, Overfelt, and James Lick Children's Centers to two nonprofits in the local community; Kidango and San Juan Bautista. Seats will be

maintained at each of the centers for ESUHSD teen parents. Foothill will remain open for teen parents. The District will be closing the Evergreen Children's Center and convert the center into a couple of classrooms due to the limited space issue at Evergreen Valley High School. The District is currently running a \$1.3 million deficit this year. The expectation, beginning July 1, for the next fiscal year will be zero contributions to the general fund. Also shared was the District gave up Educare last July to Kidango and the Santa Clara County Office of Education.

Superintendent / Associate Superintendent of Business Services

9. Discussion/Action: Bond Performance Audit Report – Remediation Update

Julio Lucas, Senior Manager of the Bond Program, Janice Unger, Director of Bond Purchasing and Contracts, and Sandy Nguyen, Construction Bond Program Controls Manager, will provide an update on the remediation of the audit recommendations from Total School Solutions Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017 as initially presented to the Audit Committee on March 27, 2018 and initially to the Board on January 18, 2018 and as amended to the Board on March 22, 2018.

Chris Jew, Associate Superintendent of Business Services, shared with the Committee a remediation update on the Bond Performance Audit Report performed by Total School Solutions. Currently, there are eight items on the list. The District has resolved seven of the eight items.

Resolved:

- *Item #1 Compliance with District Policies and Regulations (All Business Managers)*
- *Item #2 Bond Management Plan/Program, including Quality Control (Facilities & Human Resources)*
- *Item #3 Design and Construction Schedules (Information Technology & Capital Purchasing)*
- *Item #4 Procedures for Claims Avoidance Procedures (Facilities)*
- *Item #5 Measures, Expenditures, and Payment Procedures is under review; job descriptions will be updated (Human Resources & Capital Purchasing)*
- *Item #6 Measures, Expenditures, and Payment Procedures (Facilities)*
- *Item #7 Measures, Expenditures, and Payment Procedures (Capital Purchasing)*

Item #8 Best Practices in Bidding and Procurement was reviewed by the District; no action will be taken..

- 10. Discussion/Action: Bond Fund Conflict of Interest Audit Report – Final Remediation**
Chris Jew, Associate Superintendent of Business Services, and Janice Unger, Director of Bond Purchasing and Contracts, will report on the final resolution of the Bond Fund Conflict of Interest Audit Report FY17-2 dated September 13, 2017, originally presented to the Audit Committee on September 12, 2017 and to the Board on September 19, 2017.

At the recommendation of the Senior Manager of Internal Controls, one of the items brought to the attention of staff was to address the relationship the District has with its consultants and address the contractual language the District has with contractors. Specifically, what the relationship may be with other members in the District. This is to address if you are a consultant with the District is whether you have an apparent conflict of interest with regards to doing work with the District, potentially with a family member(s) or even being potentially a Board Member.

Associate Superintendent Jew shared with the Committee a copy of the revised Conflict of Interest Form. It has been addressed in a broader statement, which includes review of the form and legal opinion by Legal Counsel.

Senior Manager of Internal Controls

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

The District received its first call for 2018-2019 in October. It was a charter school matter. The information was subsequently forwarded to the charter school. They have completed their investigation and provided the District their final report.

There have been no other reports received.

- 12. Discussion/Action: Cash Handling and Associated Student Body (ASB)**
Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

Item was discussed under item 10. Kelly Kwong will continue to monitor ASB cash handling and ASB training.

Kelly Kwong, Senior Manager of Internal Controls, continues to work with the school sites, as well as continuing to provide training. She recently provided a Club Advisor training at a school site, as well as a training for coaches.

It has been very helpful to move onto ASBWorks, an online system, which was implemented in July 2015. Students and Club Advisors have been encouraged to have online view access. Dedicated support is also being provided by Business Services. Bank statements are collected on a monthly basis.

13. Discussion/Action: School Connected Organizations

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

This is our boosters and PTSA. We have Board Policy that guides us on the annual renewal process that is due October 1. New boosters are presented to the Board prior to booster renewals.

We have a new booster, which was approved by the Board this past October. There are two more coming up in the next few months. They have received their Federal nonprofit ID, but are awaiting their state nonprofit tax ID.

Kelly is currently working with three boosters in helping them to finish their forms.

Audit Committee Business

14. Discussion/Action: Audit Committee Members – Terms and Appointment Process Review

Audit Committee will review the terms served by each Member and review the draft vacancy announcement and application.

14A. Member Terms

14B. Draft Announcement Seeking Applicants

14C. Draft Member Application

Member terms were reviewed. Member Reinke indicated a correction to be made to his current term expiration date, year should be 2020.

Member Reinke indicated that recruitment to serve on the Committee is sometimes a challenge; recruitment should begin as soon as possible. What has helped in the past is recruitment by Board Members.

Member Nguyen stated that Members Bruce Berg and Dan Juchau have provided nine years of outstanding service to the Audit Committee. Their term will conclude January 31, 2019. They were each provided with a certificate in recognition of their outstanding dedication and service to the District's Board Audit Committee.

Shared with the Committee was the draft announcement and application for recruitment of Audit Committee Members. There were no recommended changes to the announcement or form.

15. Discussion/Action: Future Meetings

Audit Committee to schedule the next meeting.

The next scheduled meeting will be:

April 16, 2019

6 PM

Education Center – Superintendent’s Conference Room

16. Superintendent/Associate Superintendent/Director Communications/Comments

- Chris Funk, Superintendent
- Chris Jew, Associate Superintendent of Business Services

Superintendent Funk shared with the Committee at this Thursday’s upcoming Board meeting on the agenda for the Board’s consideration and approval will be a residency verification audit for every family at Evergreen Valley High School. What has led to the audit is the current enrollment capacity. Evergreen Valley was built for a 1,600 student capacity; it is currently at 2,900 students. Every single classroom on the campus is being used.

Two years ago, the Board change the policy pertaining to the option area. The original intent of the option area was families who lived in the Mt. Pleasant-Evergreen and Silver Creek-Evergreen option areas would be assigned to their home school, Mt. Pleasant or Silver Creek, with the option to attend Evergreen Valley High School. Over the years, enrollment at Evergreen Valley became automatic; everyone in the option area was assigned to Evergreen Valley.

Two years ago, the Board changed the policy back to the original intent. The first year, during the enrollment period of February to June 15, anyone from the two option areas who applied after June 15 was put on a waitlist. The first year, there were only five persons who were waitlisted and were placed by the first week of school. This year, there were 17 from the Mt. Pleasant area on the waitlist of which half were placed on the waitlist in August; all 17 were placed at Evergreen Valley if they chose to enroll. Two of the 17 chose to remain at Mt. Pleasant.

Back in September, current Board President Herrera, current Board Vice President Cortese and Superintendent Funk met with approximately 32 families from the Mt. Pleasant option area to discuss the concern regarding the waitlist and purchase of a home for the specific purpose of attending Evergreen Valley. Half of the families that attended had children in kindergarten, first, and second grade and are worried about their high school. The request of the families was for the District to perform a residency audit. The District agreed to perform the audit.

The residency audit will be an online audit. This will be an opportunity to pilot an online application process that the District can eventually implement district wide. Parents will be able to apply online instead of waiting in line to apply/enroll their child. There will be a recommendation made to the Board there be a grandfathering period of anyone who informs the District of their residence outside the boundary area; their child will remain enrolled at Evergreen Valley. An email has been sent to all Evergreen Valley families informing them the Board will be discussing the audit.

Superintendent Funk thanked the Committee for all the work they have done. He appreciated all the input the Committee has provided throughout the years.

17. Audit Committee Member Comments

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

Members of the Committee expressed their appreciation to the staff for all their hard work and due diligence. Also expressed was how great it has been for the Committee to work together and the great changes that have been made in how the District performs its business.

Dan Juchau and Bruce Berg were thanked for their years of service. Their knowledge was a learning experience for members of the Audit Committee.

18. Future Agenda Items

Recurring calendar item:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Chair</i>

19. Adjournment

Acting Chair Nguyen adjourned the meeting at 7:39 PM.

Respectfully submitted,



*Lan Nguyen
Chair, Board Audit Committee*