

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## Minutes of Meeting

### Approved

#### Board Audit Committee

March 24, 2015

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 6:08 PM by Chair Frank Biehl.*

*Committee present:*

*Chair Biehl, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens. Vice Chair Cortese arrived at 6:11 PM.*

*Staff present:*

- *Chris Funk*
- *Marcus Battle*
- *Juan Cruz*
- *Kelly Kwong*
- *Karen Poon*
- *Mary Guillen*

*Presenter present:*

- *Joyce Peters, External Auditor - VTD*

#### 2. Introductions

*Chair Biehl extended a welcome to the current, reappointed and newly appointed members of the Audit Committee. Persons present introduced themselves.*

- *Board Member Frank Biehl – Previously serves as Vice Chair and is the newly appointed Chair*
- *Board Member Pattie Cortese – Newly appointed Vice Chair*
- *Dan Juchau – Reappointed Member*
- *Frank Stephens – Newly appointed Alternate Member*
- *Bruce Berg – Continuing Member*
- *Jon Reinke – Continuing Member*

**3. Adopt Agenda**

*The agenda was adopted as presented.*

**4. Special Order of Business**

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

*None*

**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 Chair may agendize the item for a future meeting.

*There were no public speakers.*

**6. Approval of Minutes**

**Action:** Minutes from the December 2, 2014, meeting will be presented for approval.

*Motion by Member Berg, second by Member Juchau, to approve the Board Audit Committee Minutes of December 2, 2014.*

*Vote: 4/0, Member Cortese abstained because she was not in attendance at the last meeting*

**Chair / Vice Chair**

**7. Discussion/Action: Updates** - Frank Biehl, Chair, and Pattie Cortese, Vice Chair, will provide updates to the Committee as necessary.

*No updates were presented under this item.*

### **Senior Manager of Internal Controls**

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

Kelly Kwong, Senior Manager of Internal Controls, will provide an update and provide a copy of the Internal Control Self-Assessment Questionnaire

*Kelly Kwong, Senior Manager of Internal Controls, indicated that the questions in the Self-Assessment Questionnaire mainly came from the External Auditor's Audit Plan and FCMAT's sample questions. The Questionnaire has been launched at four East Side schools. This is a tool that is used to understand where there is a need for development and training areas. As each School Finance Clerk completes the Questionnaire, Internal Auditor Kwong reviews the results with them. Any areas noted as "no" or "don't know" are discussed with them.*

*Member Juchau suggested that signature lines be added for the Activities Director and Principal to review and sign the Questionnaire. Internal Auditor will work with Business Services to update the form, which will include the two signature lines. .*

**9. Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

*Since the last update, there have been no reports of fraud, waste and/or abuse. The two years that Internal Auditor Kwong has been with the District, the only report made was in September 2013, which was a personnel-related matter. Internal Auditor Kwong makes sure that persons are informed on the availability of the hotline. A link to the hotline can be found on the District's website and each school's website, specifically their homepage.*

### **External Auditor**

**10. Discussion/Action: Annual Audit 2014-15**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the 2014-15 engagement letters and the scope of work to be performed for the overall annual audit and bonds.

*The engagement letter issued is a standard letter. Page one of the letter notifies the District the item(s) the external auditor is looking into in detail. The findings will be listed in the audit report, including opinions on the item(s). Page two discusses the objective of the audit. Their objective is to express opinions on the District's financial statement. The State wants the external auditor to review the District's internal controls and, based on the*

*controls, they will design their audit. Page two also states that the audit is not designed to detect fraud, but if they do come across fraud, it will be reported to the District.*

*The next area is Management's Responsibility. The external auditor assists the District with the development of creating a draft financial statement. The external auditor also helps with the conversion entry from modified accrual to full accrual. The financial statement is sent to the District for review. Page 5 discusses the fees and how the District is billed, including information on disputes and the mediation process. The letter is substantially the same as last year's letter. It is the standard language as used with other districts.*

**11. Discussion/Action: New Governmental Accounting and Auditing Standards**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the two new governmental accounting and auditing standards.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
- Audit guidelines on the Local Control and Accountability Plan (LCAP)

*GASB 68 has net pension liability and must be recorded. This is a reporting mandate, not a funding mandate. It does not affect fund accounting. When the District finishes their books at the end of the year for the unaudited actuals, this does not affect the numbers in the unaudited actuals. When the District is working on their audit report, the modified accrual is converted to a full accrual and this number has to be recorded there. The CalSTRS net pension liability is reviewed, \$58.4 billion statewide. The District will share in how the State calculates their share. The District's share is .23%:*

*.23% multiplied by \$58.4 billion = District's share is \$134 million*

*This amount is recorded as a District long-term liability in their entity-wide statement. Currently, the District's net assets are less than this amount. Once the amount is recorded, the book is going to be a negative fund balance in net assets. This will show in the balance sheet statement. This is just CalSTRS. CalPERS has not provided the District their report yet. The District may have to pay for CalPERS' report; they will have to request the report.*

*It was suggested that a footnote be included which explains GASB 68 in their printed financials. It was also suggested to include it in the Management Discussion and Analysis (MD&A).*

*The page regarding the LCAP discusses, step-by-step, what the external auditing is looking for. Mainly, what they look for is that the Board approved the LCAP based on the timelines. LCAP expenditures are reported in a certain area.*

**Superintendent / Associate Superintendent of Business Services**

**12. Discussion/Action: Instructional Minutes**

Marcus Battle, Associate Superintendent of Business Services, and Juan Cruz, Associate Superintendent of Instructional Services, will present a summary of instructional minutes by school site.

*Juan Cruz, Associate Superintendent, presented information regarding instructional minutes. Instructional minutes may differ due to grade level, which is oftentimes a result of testing. When schools go into testing at their site, they go into a special schedule, and administer their testing by grade level, such as the CAHSEE 10<sup>th</sup> grade testing that was done in February. Tenth grade students attend testing the first part of the day, when they finish testing, then all other grade levels report to school. It is a short day for the other grade levels and a full day for 10<sup>th</sup> grade students. PSAT is similar. The same will occur with the Smarter Balanced testing; bell schedules will need to be modified. Testing is counted as instructional minutes as long as there is a teacher supervising the testing. Passing periods are also included in instructional minutes.*

*Where there is a higher level of instructional minutes, it is due to 7<sup>th</sup> period at the sites or a reserve for changes in a school's bell schedule for more collaboration or in the event of an emergency where students need to be brought in early. In some cases, the District can ask for a waiver from the State. In the event a waiver is not granted, they use those excess minutes for not going under the bare minimum of 64,800 minutes. Most of our schools are close to 70,000 in instructional minutes.*

**13. Discussion/Action: Copier Conversion Cost Savings Analysis**

Marcus Battle, Associate Superintendent of Business Services, will present the copier conversion cost savings analysis.

*The District will be doing a full year analysis, before and after on the copier conversion. Prior to the consolidation, the District generated approximately 32 million printed pieces of paper. With the analysis, dated 03/01/14 to 03/01/15, the District is at 21 million printed pieces of paper. We have been able to reduce our printing by 11.2 million. With the new copiers, a key card must be used in order to print documents and/or copies. This has created more efficiency and has helped to keep copier costs down. In copier/printing cost,*

*we have saved approximately \$74,000/year and approximately \$58,000 in paper cost; a combined total of \$132,000/year. We are leasing the copier; they will be upgraded in five years.*

**14. Discussion/Action: Oak Grove High School Band Boosters and Bingo Fundraiser**

Marcus Battle, Associate Superintendent of Business Services, will provide an update with legal opinion.

*Chair Biehl indicated that there was a recommendation made to the Board to approve the Oak Grove High School Band Boosters to solicit contributions or funds on District property with conditions. It was found that some of those conditions could not be met. The San Jose Police Department does not permit their off-duty officers to serve in any capacity at a gambling operation, including bingo. The District's stipulation that they had to have an officer there could not be carried out.*

*Associate Superintendent Marcus Battle indicated that the District came to an agreement with the Oak Grove High School Band Boosters that they would provide two security guards. There was also an agreement to increase the insurance requirements.*

*Internal Auditor Kelly Kwong mentioned that the San Jose Police Department only issues annual permits. The Oak Grove High School Band Boosters' permit will expire December 2015. Kelly will follow up with the Boosters to make sure that the renewal is submitted/issued prior to January 2016.*

*Mr. Battle stated that Kelly is doing a great job reviewing the Booster's financials. The fiscal year ends in June. Their audited financials are due to the District in November.*

*Member Juchau asked if it was legal to have bingo on school property.*

*Chair Biehl stated that, according to opinion by Legal Counsel, there is no prohibition to have bingo on school property.*

**Audit Committee Business**

**15. Discussion/Action: Audit Committee Charter**

Dan Juchau, Member, will present the Audit Committee Charter for review.

*Member Juchau presented to the Committee proposed changes to the Charter. After some discussion by the Committee, the following changes were made to the Charter:*

*Page 1:*

*II: Mission*

- 1) a: Delete sentence*

*Page 2:*

*II: Mission*

- 2) make changes as noted in proposed document (delete “/”; add “and”)*
- 4) make changes as noted in proposed document (delete “/”; add “or”)*

*III: Membership*

- 1) make change as noted in proposed document (remove “,” in “members,” Bottom of page (last paragraph): change from “terms” to “years.” Chair Biehl to rephrase paragraph and send to Legal Counsel for review.*

*Page 3:*

*III: Membership*

- Exceptions – (d): Chair Biehl to rephrase language*

*Page 4:*

*IV: Duties and Responsibilities*

- First paragraph: Add the word “may” as recommended*
- Items 1 through 6: Remove “s” in “Reviews”*
- Delete sentence: The Audit Committee reviews the ESUHSD’s procedures for monitoring compliance with the Code of Conduct.*

*Page 6:*

*IV: Duties and Responsibilities – External Auditors*

- Delete sentence: All accountants thus engaged report directly to the Audit Committee that will oversee the accountant’s work and evaluates their performance.*
- Add “may” and remove “s” in “includes” – to read as follows: The Audit Committee’s oversight responsibilities may include:*
- d) suggested: Any findings by the external auditor -- Chair Biehl to rephrase language*
- Change the word “independent” to “external” throughout entire document*

*Page 8:*

*IV: Self-Assessment*

*Delete in line 4: "in a written report,"*

*Delete last paragraph: 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.*

**16. Discussion/Action Future Meetings**

Audit Committee will schedule the next meeting dates and time.

*The next meeting will be held on Tuesday, August 25, 2015, at 6 PM in Superintendent's/Board's Conference Room of the East Side Union High School District.*

**17. Superintendent Communications/Comments**

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

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

**18. Audit Committee Member Comments**

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

*No items reported under this section*



**19. Future Agenda Items**

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

<i>Item</i>	<i>Date</i>	<i>Requested By</i>
<i>Fixed Asset Audit</i>	<i>August 26, 2015</i>	<i>Marcus Battle</i>

*Calendared from prior meetings:*

<i>Item</i>	<i>Date</i>	<i>Requested By</i>
<i>Appoint subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Frank Biehl</i>
<i>Review Charter</i>	<i>December (annually)</i>	<i>Frank Biehl</i>

**20. Adjournment**

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

*Chair Biehl adjourned the meeting at 7:50 p.m.*

*Respectfully submitted,*



*Frank Biehl  
Board Audit Committee Chair*