

**MEETING AGENDA
Board Audit Committee**

6:00 PM

March 24, 2015

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 Frank Biehl – Previously serves as Vice Chair and is the newly appointed Chair
- Board Member Patti 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

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 2, 2014, meeting will be presented for approval.

Chair / Vice Chair

7. Discussion/Action: Updates

Frank Biehl, Chair, and Patti Cortese, Vice Chair, will provide update.

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.

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.

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.

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)

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.

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

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

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.

Audit Committee Business

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

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

16. **Discussion/Action: Future Meetings**

Audit Committee will schedule the next meeting date and time.

17. **Superintendent Communications/Comments**

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

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.

19. **Future Agenda Items**

20. **Adjournment**

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Item #6

Unapproved

Board Audit Committee

December 2, 2014

6:00 PM

East Side Union High School District

Education Center

Superintendent's Conference Room

830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

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

Committee present:

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

Staff present:

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

Presenter present:

- *Joyce Peters, External Auditor - VTD*

2. Introductions

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

3. Adopt Agenda

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

Vote: 5/0

4. Special Order of Business

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

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

5. Public Comments

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

There were no public speakers.

6. Approval of Minutes

Action: Minutes from the August 27, 2014, meeting will be presented for approval.

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

Vote: 5/0

Chair / Vice Chair

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

No updates were presented under this item.

Senior Manager of Internal Controls

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

Kelly Kwong, Senior Manager of Internal Controls, will provide an update. Administrative Bulletin No. 09 Physical Inventory ASB, which was approved on September 9, 2014, will be provided.

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

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

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

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

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

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

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

External Auditor

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

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

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

Vice Chair Biehl requested the following:

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

Administration will provide Vice Chair Biehl a response.

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

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

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

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

Superintendent / Associate Superintendent of Business Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Member Berg asked where is bingo held?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vote: 5/0

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

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

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

Audit Committee Business

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

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

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

15. Discussion/Action Future Meetings

Audit Committee will schedule the next meeting dates and time.

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

16. Superintendent Communications/Comments

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

No item(s) to report under this section

17. Audit Committee Member Comments

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

No items reported under this section

18. Future Agenda Items

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

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

Calendared from prior meetings:

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

19. Adjournment

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

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

Respectfully submitted,

*Frank Biehl
Board Audit Committee Chair*

Purpose: Risk assessment to identify areas for further discussion and follow up.

Source: www.FCMAT.org
External Auditors VTD (Vavrinek, Trine, Day & Co., LLP)

Name of School

Print Your Name

Date Completed

Procedure: 1 For Finance Clerks to complete and answer the below questions with

- YES / AGREE
- NO / DISAGREE
- DON'T KNOW / NOT SURE / LET'S DISCUSS

There are 15 sections

- A General Procedures
- B Programs
- C Cash Receipts / Deposits
- D Fundraisers
- E Ticket Sales Events
- F Student Meeting Minutes
- G Student Stores
- H Cash Disbursements / Expenditures
- I Checks
- J Petty Cash
- K Bank Account and Bank Reconciliation
- L Financial Reporting
- M Recordkeeping
- N Vending
- O Clearing

2 Upon completion, submit to District Business Office and/or Office of Internal Audit

A General Procedures

- 1 Do you have access to ESUHSD Board Policies, Administrative Regulations and Admin Bulletins?
- 2 Do have access to FCMAT Associated Student Body Accounting Manual, Fraud Prevention Guide?
- 3 Is the District Office adequately providing support and answering questions?
- 4 Is there a knowledgeable contact person to answer your questions and provide assistance?
- 5 Is compliance and system training adequately provided?
- 6 Does the District provide staff development, training opportunities for you throughout the year?
- 7 Are the forms, processes and systems for ASB operations standardized districtwide?
- 8 Are you aware of the competitive bid requirements? > \$85K/year
- 9 Are you in compliance with competitive bid requirements?
- 10 Are you being listened to when you express concerns about expenditures or other items?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

B Programs

- 1 Do students direct all money and funds used for the general welfare of all students?
- 2 Is ASB promoting the general welfare of all students and not just a specific few students?
- 3 Is ASB for the direct benefit of students and not what the District and the school should be providing?
- 4 There are no adult discretionary accounts. All accounts are student directed
- 5 Are students encouraged to spend what they earn and fundraised during the school year?
- 6 Are clubs aware of the 20% maximum carryover to the next school year, unless waiver applied?
- 7 Carryover Excess Balance Forms for clubs with carryover balances are sent to the District Office?
- 8 Are all facility use checks and payments forwarded to the District and not recorded in ASB?
- 9 Are student fieldtrips greater than 60 miles or overnight Board approved prior to actual trip?
- 10 Do you know how to look up whether a fieldtrip is properly approved by the Board?
- 11 Are all non-District transportation payments documented with District's first right of refusal?
- 12 Are all transportation payments with District approved vendors?
- 13 Do you know where to obtain the list of approved transportation vendors?
- 14 Are student accounts in Tracks all zero balances with no carrying credit balances?

YES	NO	Don't Know

C Cash Receipts / Deposits

- 1 Is cash receipt from fundraisers remitted to the School Bank within 1 school day after event?
- 2 Is there documentation turned in with the collected cash noting total deposit?
- 3 Is documentation noting cash deposit done in pen and signed by at least two individuals?
- 4 Is physical count verification done in the presence of the person delivering the cash?
- 5 Do advisors and coaches know that they are not to collect money from students?
- 6 Do student pay donations and fees directly to the school bank? Not passed over by adults
- 7 Is cash receipts promptly recorded in the accounting software when received?
- 8 Is a receipt provided to person turning in the cash receipt?
- 9 Is cash kept in a lock safe until it is remitted to the bank?
- 10 Are cash awaiting for deposit supported by receipts written or issued already?
- 11 Are deposits to the bank made at least weekly?
- 12 Are all cash receipts deposited with the bank intact?
- 13 Are all cash receipts intact and not used to pay for any expenses?
- 14 Is a summary or detail of amounts making up the deposits retained for sufficient audit trail?
- 15 Are all bounced / NSF (nonsufficient fund) checks tracable to original deposit?
- 16 In case of bounced / NSF check, is the proper account credited with notification to advisor?
- 17 Is bank service charge for NSF check collected from original check issuer?
- 18 Are personal checks prohibited from being cashed from ASB funds?

YES	NO	Don't Know

D Fundraisers

- 1 Are all fundraisers approved by the Site Administrators at the beginning of each school year?
- 2 Is a list of approved fundraisers maintained and updated through out the year?
- 3 Are all fundraisers approved by the student body and documented in Student Meeting Minutes?
- 4 Are all fundraising activities in accordance to District policies and FCMAT guide?
- 5 Do Club Advisors exercise adequate control over fundraisers to ensure strong internal controls?
- 6 Is staff aware of utilizing the controls for cash receipts such as pre-numbered tickets?
- 7 Is control maintained over tickets and kept in a locked place?
- 8 If cash change box is issued, does pick up person count the cash and sign that amount is accurate?
- 9 Are all cash count forms and cash collected, counted, signed prior to taking custody of deposit?
- 10 Is cash deposited into the bank account within 3 days after it is collected and received?
- 11 Were all Revenue Potential Forms completed with actual results and analyzed for reasonableness?
- 12 Do all Revenue Potential Forms agree to cash received and disbursed per postings to general ledger?
- 13 Was analysis performed to determine gross income/sales was completely received?
- 15 Does the net profit on the Revenue Potential Form and general ledger appear reasonable?
- 16 Were unusual losses reported to the Activities Director and/or Site Administration?
- 17 Is excess and unsold inventory safeguarded and controlled for future sale?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

E Ticket Sales Events

- 1 Are ticket control logs maintained to monitor ticket inventory?
- 2 Are ticket controls logs recalculated for mathematical accuracy?
- 3 Are ticket control logs done in pen, no pencil, and signed by at least 2 different people?
- 4 Are discrepancies documented and reported to the Site Administration?
- 5 Are cash received amounts traced to cash receipts recorded in the general ledger?
- 6 Are a sample of ticket numbers traced from the ticket control log to the actual ticket inventory?
- 7 Is ending ticket number traced from ticket control log to the ticket inventory?
- 8 Are Ticket Control Log and ticket inventory maintained in a secured/locked location?
- 9 Is total income analysis prepared for each school dance?
- 10 Is total income analysis prepared for each athletic game?
- 11 Is total income for each game compared against a game schedule to ensure completeness?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

F Student Meeting Minutes

- 1 Are student meeting minutes documented and provided by students, not by teachers?
- 2 Are student minutes from clubs made of at least 3 students and not just teacher's aide?
- 3 Are student minutes motioned, seconded and secretary signed by students and not adults?
- 4 Do the student meeting minutes contain approval for fundraising activities?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

- 5 Do the student meeting minutes report back the financial results of profit/loss from fundraiser?
- 6 Do student meeting minutes include the authorization of expenses?
- 7 Are student meeting minutes taken and approved prior to incurring expense?
- 8 Are student meeting minutes detailed enough to quantify approved expenditure amounts?
- 9 Are student meeting minutes not altered? Subsequent meeting minutes will reflect changes.

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

G Student Stores

- 1 Does the school site have a student store physically on site at the school?
- 2 Is there an on-line student store?
- 3 Is food sold at the student store?
- 4 Are daily sales logs maintained and reconciled to cash collected?
- 5 Are daily sales reports reflect items and amount sold and reconciled to cash collected?
- 6 Are cash received amounts traced to cash receipts posted to the general ledger?
- 7 Are sale price of inventory items fairly close to the unit price per the most recent invoice?
- 8 Are annual close out reports from TRACKS provided to the District Office?
- 9 Are there are less than 5 (five) reversals/cancellation of receipts in a fiscal year?
- 10 Are inventory of the items for sale recorded in the accounting system?
- 11 Are perpetual inventory records maintained, reconciled to physical inventory counts?
- 12 Is a physical inventory of the student store items taken at least semi-annually?
- 13 Are physical inventories results reconciled to the accounts?
- 14 Are results of the physical inventory reported back to Site Administrators and the student body?
- 15 Is inventory maintained in a secured, locked area and safeguarded from any loss?
- 16 Is the net profit margin for the student store reasonable?
- 17 Are procedures are in place to investigate and resolve overages and shortages?
- 18 Have there been no material overages or shortages this school year thus far?
- 19 Is yearbook quantity recalculated noting purchase - less sales - complimentary = on hand quantity

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

H Cash Disbursements / Expenditures

- 1 Are all expenses processed in the normal cycle and never reimbursed using cash on hand?
- 2 Does the Student Council preapprove all expenditures? Are expenses approved in advance?
- 3 Is Student Council preapproval of expenses documented in Student Meeting Minutes?
- 4 Are all expenditure requests supported by student meeting minutes with specifics of amounts?
- 5 Are the signatures of the 3 approval properly obtained for each disbursement prior to processing?
 (1) student representative, (2) certificated club advisor and (3) governing board rep activities director

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

- 6 Are controls established to ensure that expenditures do not exceed budgeted funds?
- 7 Is the purchase order dated and approved prior to the purchase?
- 8 Are purchase orders consistently used and signed copied kept on file?
- 9 Are all contracts signed by the Principal?
- 10 Are students prohibited from signing contracts?
- 11 Are all expenses approved prior to processing checks issuance?
- 12 Are all disbursements supported by invoice or original receipt?
- 13 Are invoices/receipts detailed enough to show paid amount and details of purchase?
- 14 Is date of receipt prior to the check request date and within the current school year?
- 15 Is 'ship to address' the school's address and not anyone's personal home address?
- 16 Are invoices/receipts supported by packing slip or receiving documents?
- 17 If packing slip not available, do you obtain written confirmation of receipt of purchased item?
- 18 Are credit card statements, quotes, copies of receipts, self typed documents invalid as receipts?
- 19 No one has claimed for mileage reimbursement
- 20 No cash advances have been issued
- 21 Are equipment purchases (camera, printers, iPad) recorded, maintained in an tracking account?
- 22 Are disbursements in accordance and compliance with FCMAT approved expenditures?
- 23 There are no payments for gift cards or gifts of any kind
- 24 There are no payments for prizes or items used for raffles
- 25 There are no employee appreciation meals
- 26 There are no advisor travel expenses unless it is to chaperone students
- 27 There are no payments to charities or donations to boosters, PTAs or non profit?
- 28 There is no payments to students or families in need
- 29 There is no payments for CPR or fingerprinting expenses
- 30 There are no payments to employees. All employees are paid through District payroll system.
- 31 There are no payments to students.
- 32 Are student scholarships made payable to the higher institution, any not payable to the student?
- 33 Are student scholarships limited to \$250 per person and \$1,000 per school

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

I Checks

- 1 Are checks pre-numbered and issued in numeric sequence for cash disbursement?
- 2 Are all checks issued through the accounting system Blue Bear? There are no manual checks.
- 3 Are voided checks properly defaced (preferably tear signature area off) and maintained?
- 4 Do checks require double signature? Are two signatures required on all checks?
- 5 Are checks stored in a locked file cabinet or safe?
- 6 Are all checks written to a specific payee, with no checks written to cash?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

J Petty Cash

- 1 Is the petty cash account supported by the actual cash counted?
- 2 Are disbursements from petty cash properly supported by vouchers or receipts?
- 3 Is petty cash safeguarded and stored in a locked and secure location?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

K Bank Accounts and Bank Reconciliation

- 1 Are all authorized signers on bank accounts all current administrators of the site?
- 2 Finance Clerks are NOT authorized signers on bank accounts
- 3 Do you have on-line bank access?
- 4 If you have on-line bank access, is it view only with no ability to record transactions?
- 5 Is there a debit card used?
- 6 Are all cash accounts (money market, CD) are supported by bank documents at least annually?
- 7 Does Site Administrator receive and sign the bank statement prior to forwarding to Finance Clerk?
- 8 For all checking accounts, do bank statements include check images?
- 9 Are bank accounts reconciled within two weeks of receipt of the bank statements?
- 10 Are all deposits already recorded in the accounting system prior to receiving bank statement?
- 11 Are all outstanding deposits cleared within three working days?
- 12 Are all outstanding checks cleared within one year of issued date?
- 13 There are no other bank reconciling items other than outstanding deposits, checks and bank fees?
- 14 Are there any journal "adjustments" or transfer entries to reconcile the bank account?
- 15 Are there any "miscellaneous" or "other" entries recorded to reconcile the bank statement?
- 16 After receipt of bank statements, the only entry is to record bank fees and NSF checks
- 17 Are completed monthly bank reconciliations reviewed and signed by a Site Administrator?
- 18 Is Site Administrator's review meaningful and will ask questions for clarity?
- 19 Are monthly bank reconciliations remitted to the Business Office within the following month?
- 20 School bank has not cashed a personal check and does not provide change from a personal check

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

L Financial Reporting

- 1 Are financial reports prepared at least quarterly for ASB students to review?
- 3 Are financial reports included in ASB minutes?
- 2 Are clubs given transaction reports every month?
- 4 Do clubs help identify possible posting errors?
- 5 Are any accounts in a deficit with a negative cash balance?
- 6 Are reversals and cancellations of transactions kept to a minimum like less than 5 (five) a year?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

M Recordkeeping

- 1 Do all accounts have a certificated advisor and students directing the account?
- 2 There are no adult discretionary account. All money directed by students
- 3 There is no miscellaneous account.
- 4 Is there a process to determine whether a worker is an employee or an independent contractor?
- 5 Are employees paid through the District's payroll and then invoiced to ASB?
- 6 Is a W9 form obtained from each independent contractor/consultant before they begin working?
- 7 List of contractors with amounts paid per calendar year provided to the Business Office for 1099's?
- 8 Are all open PO's opened in the current academic year? Last year's open PO's are closed
- 9 Are inactive accounts, defined as no active in two school years, closed?
- 10 Are inactive account balances transferred to the general ASB account when closing inactive accounts?
- 11 All transfers are supported by 4 approvals: student report and advisor for TO and FROM cluk
- 12 Is equipment (notebooks, iPads, cameras, printers) adequately controlled and recorded?
- 13 There are no booster/PTA activity that went through ASB. Only donations are received.
- 14 Is there a log posted that identifies who has access the ASB safe and key to the school bank?
- 15 For all outside scholarship trust funds, are donor provided criteria's and guidelines on file?
- 16 For all outside scholarship trust funds, are checks issued in accordance to donor guidelines?
- 17 For trust funds, is account supported by bank statements?
- 18 Is there a club advisor who monitors all trust fund activities?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

N Vending

- 1 Is there a schedule of days and time when to expect the vending cash to come to the bank?
- 2 Do you count the cash in the presence of the vending machine employee?
- 3 Do you have an expectation of a total to reconcile the total cash for each delivery?
- 4 Is Vending Machine Report recalculated for mathematical accuracy?
- 5 Is Vending Machine Report cash amount agreed to the actual deposit per bank statement?
- 6 Are any overages or shortages documented and explained for District Office review?

<u>YES</u>	<u>NO</u>	<u>Don't Know</u>

O Clearing Account

- 1 Are deposits for clearing accounts remitted to the bank within 2 days of receipt?
- 2 Are supporting documents remitted to the District Office within 2 days of the bank deposit?
- 3 Do supporting details reconcile to the total deposit remitted to the bank?
- 4 Are deposit detail copies, preferably electronic images, maintained for at least 2 school years?



January 30, 2015

Governing Board
East Side Union High School District
830 North Capitol Avenue
San Jose, CA 95133

We are pleased to confirm our understanding of the services we are to provide East Side Union High School District (the District) for the year ended June 30, 2015. We will audit the financial statements of the governmental activities, the business-type activities, teach major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the District as of and for the year ended June 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison Schedules
- 3) Schedule of Other Postemployment Benefits (OPEB) Funding Progress

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of Expenditures of Federal Awards, if required.
- 2) Schedule of Average Daily Attendance.
- 3) Schedule of Instructional Time.
- 4) Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.
- 5) Schedule of Financial Trends and Analysis.
- 6) Schedule of Charter Schools, if required.
- 7) Note to Supplementary Information.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to governing board of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings.

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with

GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the California State Controller's Office (the SCO) or its designee, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the SCO, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Joyce C. Peters is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fixed fee for these services will be \$57,000 including out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Additional audit fees may be assessed if additional auditing services are provided for (1) any changes in reporting format and/or audit requirements as stated in Standards and Procedures for Audits of California K-12 Local Educational Agencies, issued by the California State Controller's Office or Governmental Accounting Standards Board, (2) any changes in the number of funds or accounts maintained by the Organization during the period under this contract, and (3) additional audit procedures required due to the lack of preparation for the audit on the part of the Organization. These fees shall be in addition to the above maximum fee for audit services.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review accompanies this letter.

The final installment will represent the 10% withheld amount pursuant to Education code 14505 and will be presented for payment upon certification by the Controller that the audit report conforms to the reporting provisions of the Audit Guide. All billings for additional audit fees or services will be billed as these services are provided. In accordance with Education Code Section 14505 (b), the District shall withhold fifty percent (50%) of the audit fee for any subsequent year of multi-year contract if the prior year's audit report was not certified as conforming to reporting provisions of the audit guide. This contract shall be null and void if a firm or individual is

declared ineligible pursuant to subdivision (c) of Section 41020.5. The withheld amount shall not be payable unless payment is ordered by the State Board of Accountancy or the audit report for that subsequent year is certified by the controller as conforming to reporting provisions of the audit guide.

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation. The costs of any mediation proceedings shall be shared equally by all parties. The District and Auditors both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration will be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

The form and content of the annual audit shall be in conformity, to the extent practicable, with such form and content as may be prescribed by the State of California under Section 41020 of the Education Code, Audits of State of Local Governments, issued by the U.S. Office of Management and Budget, as issued pursuant to the Single Audit Act Amendments of 1996.

The audit shall be completed and the audit report shall be delivered in accordance with time requirements as specified in the Standards and Procedures for Audits of California Office, unless delayed by circumstances beyond the control of the Auditors. Fifteen (15) copies of the audit report may be rendered to the Organization, in addition to the copies required to be filed with the applicable governmental units. Copies in excess of the contract amount may be billed for an additional fee.

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensee owners will be performing audit services for the agency.

We appreciate the opportunity to be of service to East Side Union High School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

We look forward to working with you,



Joyce C. Peters
Vavrinek, Trine, Day & Co., LLP

RESPONSE:

This letter correctly sets forth the understanding of East Side Union High School District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Item #10 (cont'd)

VALUE THE DIFFERENCE

January 30, 2015

Government Board
East Side Union High School District
830 North Capitol Avenue
San Jose, CA 95133

We are pleased to confirm our understanding of the services we are to provide East Side Union High School District (the District). We will perform the required annual financial audit of the proceeds from the sale of the bonds and the required performance audit to ensure that the funds have been expended only on the specific projects listed for the period beginning July 1, 2014 and ending June 30, 2015, in accordance with the compliance requirements of Section 1 of Article XIII A of the California Constitution.

Financial Audit

We will audit the financial statements of the Measure E, G and I Fund (the Measure) of the District as of and for the year ended June 30, 2015. The financial statements will present only the Measure Fund and will not purport to, and will not be intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Audit Objectives

The objective of our audit is the expression of opinions as to whether the Measure Fund financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during our audit we become aware that East Side Union High School District School District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the Measure Fund financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the Measure, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, if determined to be material, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Measure's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Performance Audit

We will prepare a performance audit of the Measure of the District for the year ended June 30, 2015.

Objectives

The purpose of the Performance Audit is to meet the Proposition 39 requirements for the Measure Bond proceeds to ensure compliance with Section 1 of Article XIII A, Section 1(b)(3)(C) of the California Constitution. This includes that the Proposition 39 Bond proceeds are expended only on the specific projects listed in the bond language approved by the voters and no Bond proceeds are being spent on administrative salaries or any other expenses that would otherwise be the obligation of the District's General Fund. The Performance Audit will be conducted in accordance with *Government Auditing Standards*.

Scope and Methodology

Our procedures for the Performance Audit will be as follows:

- Procure a detail of the accounting for the expenditures of the Measure.
- Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other school operating expenses.
- From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language.

Engagement Administration, Fees, and Other

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to third parties for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Department of Education, the California State Controller, or during any pending board investigation, disciplinary action, or legal action involving the licensee or the licensee's firm.

Joyce C. Peters is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fixed fee for the Financial Audit and Performance Audit services of Measure E, G and I will be \$15,000 for the period ending June 30, 2015. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation. The costs of any mediation proceedings shall be shared equally by all parties. The District and Auditors both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration will be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensure owners will be performing audit services for the agency.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.



Joyce C. Peters

Vavrinek, Trine, Day & Co., LLP

RESPONSE:

This letter correctly sets forth the understanding of East Side Union High School District.

By: _____

Marcus Battle

Title: Associate Superintendent

District: East Side Union High School District

Federal Identification Number: 94-2864814



Dear Audit Committee of East Side Union High School District:

GASB 68

You have probably been hearing about GASB 68 for some time now, and you've been thinking "Our auditors will handle that for us". You have probably received a letter recently from CalSTRS informing you of some important information related to implementation of GASB 68. And now you're wondering: "How will this impact our financial statements" and "What should I be doing about it"? This memorandum will attempt to answer those questions for you.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". The provisions of Statement 68 are effective for financial statements for fiscal year beginning after June 15, 2014.

In the past, you recorded annual pension costs under the "funding approach". This means that you record the expense to objects code 31xx and 32xx as you made your contributions to STRS and PERS. Under GASB 68, you will no longer recognized the costs as they are paid, but when "earned". Because you participate in a "cost-sharing multiple-employer defined benefit pension plan" you will be required to recognize your specific pension amounts, which include the net pension liability, deferred outflows/inflows of resources and pension expense. To the extent that your long-term obligation to provide pension benefits exceeds the value of the assets available in the plans to pay pension benefits, there is a "net pension liability" (NPL). This NPL amount will appears in your accrual-basis financial statements alongside your other long term liabilities. For example, your District has a proportionate share percentage from CalSTRS of 0.23%, your share of the \$58,437 billion NPL would be \$134,405,100. This is just for CalSTRS, CalPERS will also need to be included.

In addition, in the first period that the statement is implemented (this year), the cumulative effect of implementing GASB 68 will be reported as a restatement of beginning net position on your government-wide statement of activities, along with a separate footnote disclosure explaining the nature of the restatement.

In addition to the financial statement impact, additional footnote disclosures in your annual audit report will be required as well. We will obtain all of this information from your plan and include it in your audit report as required by GASB 68, so no need for you to worry.

The effect of the implementation for your District is large enough to cause a negative net position on your government-wide, accrual-basis financial statements. The impact on your fund financial statement is minimal. However, as you are probably aware, in response to pension reform efforts, both CalSTRS and CalPERS are increasing future employer contribution rates, which will impact future cash flows and fund balances as the current costs of providing those pension benefits increase. It is critical that both the governing board and management understand the effect of GASB 68 implementation well enough to

explain it to users of your financial statements. State and federal grantor agencies, credit rating agencies, State and county oversight agencies, and other financial professionals should be informed about the effects of GASB 68, so it should be no surprise to them when it appears in your audited financial statements.

While we strive to ease this burden as much as possible, our professional standards require that we maintain independence at all times, in appearance and in fact. So, while we prepare the financial statements and disclosures for you, it is your responsibility to review the financial statements and disclosures and accept responsibility for them.

Local Control Accountability Plan (LCAP)

Under the Local Control Funding Formula (LCFF), all local educational agencies (LEAs) are required to prepare a Local Control and Accountability Plan (LCAP), which describes how they intend to meet annual goals for all pupils, with specific activities to address state and local priorities identified pursuant to EC Section 52060(d). The governing board of each LEA shall adopt an LCAP on or before July 1, 2014.

We were asked by the State to obtain a copy of your LCAP for 2014-15 and select a sample of actions or services you described in Sections 3A and 3B, where you identified your actual expenditures.

We will select a sample of the actual expenditures in 3A and 3B, examine supporting documentation to determine whether the expenditures were consistent to the actions or services.

We are also required to review the following compliances.

- a. Presented the local control and accountability plan or approved annual update to the parent advisory committee in accordance with Education Code section 52062(a)(1) or 52068(a)(1), as appropriate.
- b. If applicable, presented the local control and accountability plan or approved annual update to the English learner parent advisory committee, in accordance with Education Code section 52062(a)(2) or 52068(a)(2), as appropriate.
- c. Notified members of the public of the opportunity to submit comments regarding specific actions and expenditures proposed to be included in the local control and accountability plan or approved annual update in accordance with Education Code section 52062(a)(3) or 52068(a)(3), as appropriate.
- d. Held at least one public hearing in accordance with Education Code section 52062(b)(1) or 52068(b)(1), as appropriate.
- e. Adopted the local control and accountability plan or approved annual update in a public meeting in accordance with Education Code section 52062(b)(2) or 52068(b)(2), as appropriate.

Item #12

Instructional Minutes by Grade Level 2014-15 as of 3.17.15

SITE	Same for all Grade	9th	10th	11th	12th	NOTES
Andrew Hill		74,075	74,707	74,075	74,075	10/15 PSAT schedule: 9th, 11th & 12th scheduled to attend 180 minutes / 10th scheduled to attend 390 minutes. 2/3 & 2/4 - CAHSEE schedule: 9th, 11th & 12th scheduled to attend 184 minutes. 2/3 & 2/4 - CAHSEE schedule: 10th scheduled to attend 395 minutes.
Calero	64,875					No Freshman
*Evergreen Valley		69,555	69,555	69,555	69,605	4/14 schedule: 9th, 10th & 11th scheduled to attend 375minutes / 12th scheduled to attend 305 minutes. 4/15 schedule: 9th, 10th & 11th scheduled to attend 180minutes / 12th scheduled to attend 300 minutes. Currently we are revising bell schedules for third week of April due to SBAC & CST Testing
*Independence	71,154					Currently we are revising bell schedules due to SBAC & CST Testing
*James Lick	75,009					Currently we are revising bell schedules from 4/28 to 5/1 due to SBAC & CST Testing
Mt Pleasant		65,925	66,465	65,925	65,925	10/15 PSAT schedule: 9th, 11th & 12th scheduled to attend 240 minutes / 10th scheduled to attend 390 minutes. 2/3 & 2/4 - CAHSEE schedule: 9th, 11th & 12th scheduled to attend 195 minutes. 2/3 & 2/4 CAHSEE schedule: 10th scheduled to attend 394 minutes.
Oak Grove	68,445					
*Piedmont Hills	69,566					Currently we are revising bell schedules from 4/28 to 5/1 due to SBAC & CST Testing
Santa Teresa		69,330	69,750	69,825	69,085	10/15 PSAT schedule: 9th, & 12th scheduled to attend 240 minutes / 10th & 11th scheduled to attend 375 minutes. 2/3 1st day of CAHSEE schedule: 9th, 11th & 12th scheduled to attend 180 minutes. 2/3 1st day of CAHSEE schedule: 10th scheduled to attend 405 minutes. 2/4 2nd day of CAHSEE schedule: 9th, 11th & 12th scheduled to attend 235 minutes. 2/4 2nd day of CAHSEE schedule: 10th scheduled to attend 400 minutes. 4/14 SBAC schedule: 9th, 10th and 12th scheduled to attend 235 minutes/ 11th scheduled for 390 minutes. 4/15 SBAC schedule: 9th, 10th and 12th scheduled to attend 220 minutes/ 11th scheduled for 375 minutes 4/16 SBAC schedule: 9th, 10th and 12th scheduled to attend 390 minutes/ 11th scheduled for 390 minutes 4/17 SBAC schedule: 9th, 10th and 12th scheduled to attend 220 minutes/ 11th scheduled for 375 minutes
Silver Creek		67,861	68,560	68,191	67,861	10/15 PSAT schedule: 9th, 11th & 12th scheduled to attend 228 minutes / 10th scheduled to attend 375 minutes. 2/3 -1st day of CAHSEE schedule: 9th, 11th & 12th scheduled to attend 180 minutes. 2/3 -1st day of CAHSEE schedule: 10th scheduled to attend 390 minutes. 2/4 -2nd day of CAHSEE schedule: 9th, 11th & 12th scheduled to attend 195 minutes. 2/4 - 2nd day of CAHSEE schedule: 10th scheduled to attend 390 minutes. 4/14 SBAC schedule: 9th, 11th and 12th scheduled to attend 228 minutes/ 10th scheduled for 375 minutes.
WC Overfelt	72,610					
Yerba Buena	68,724					
Foothill	43,080					Junior & Seniors only
Apollo	34,940					Junior & Seniors only
Pegasus	36,870					Junior & Seniors only
Phoenix	45,640					Junior & Seniors only
Accel	43,200					Junior & Seniors only

Notes:

- State requires minimum minutes:
 - 64,800 Comprehensive School
 - 32,400 Continuation School
- Minutes difference between Sites due to different bell schedules
- The State and CASBO recommends the schools to have at least 1,200 excess minutes or 4 to 5 days worth of minutes in a school year. The extra minutes built in the instructional calendar for unforeseen emergencies that may lead to a student's early release. Extra minutes will prevent shortfall minutes State penalty.

A Review of Copier Cost & Usage

We have enjoyed good progress over the first year. The data was gathered from the last year using Sharp (7/1/2012-6/30/13) and from 3/1/14-3/1-15 using Ricoh.) We anticipate further improvements based on continuing to monitor and assess our system and practices. In the past, we had very little data on our copier costs and usage. We know that in the year prior to adopting Ricoh and tying our copying to our identity management systems that we made 32,244,612 copies and we spent \$213,163.00 on the copiers and \$167,634.00 on paper.

In our first year in using Ricoh Copiers, we made 21,020,000 copies and spent \$138,914.00 for the copiers and \$109,304.00 on paper. This represents a reduction of 11,224,612 copies over the previous year and a cost reduction in paper and copier cost of \$132,579.00. Over 5 years, even if we simply maintain our current reduction in copies, we would realize a cost reduction of \$662,895.00.

There are four additional points that are critical to consider and associate value to:

- Ricoh copiers are 28% more efficient in their use of electrical power, thus cost less to operate
- The increased ability of modern copiers to 'sleep' provide a 90% energy savings during the hours that they sleep vs. our old copiers that were inefficient
- The uptime and reliability of the copiers (largely because the Sharp fleet was old and in disrepair and the Ricoh machines are new) is significantly higher than in the past
- We also reduced the number of laser printers across the district by approximately 20%, so the load was not shifted to laser from copiers

How do we account for the 1/3 reduction in copying year over year?

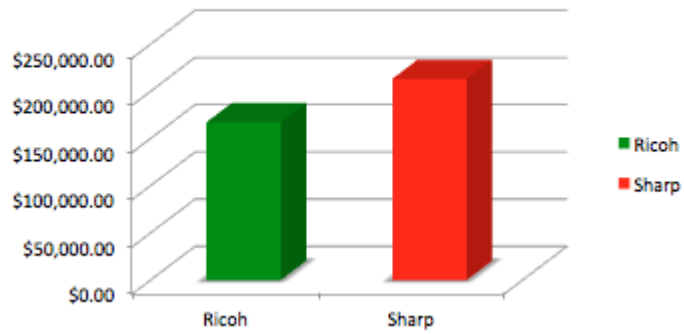
- Accountability works
- Orphan print jobs no longer occur on copiers
- Scan to file and email has grown in popularity
- Additional use of digital file sharing
- Fewer print errors

Recommendations:

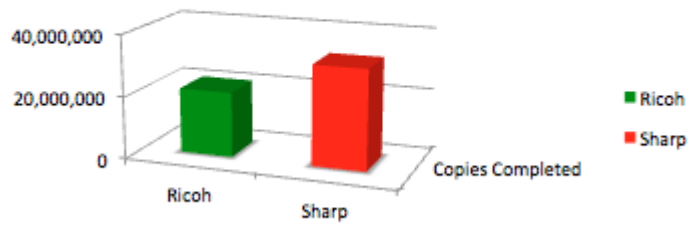
1. We want more data from our systems so that we can analyze more closely specific elements of our processes to ensure customer satisfaction and to determine areas of need.
2. We want to work on refreshing our laser printing fleet and when we do, we want to utilize our identity cards so that we can know what our activity is and how we can best serve our users and determine who uses the devices and if we can improve on our best practices.
3. We want to expand printing services to students to better provide them the ability to print (and be responsible for it.)

Some visuals to illustrate the results:

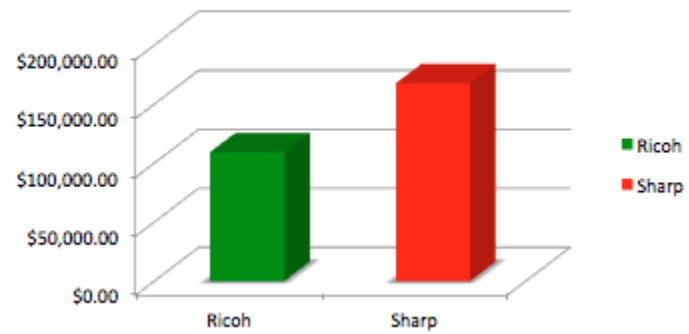
Cost of Copier



Copies Completed



Paper Expenditure



East Side Union High School District
San Jose, California
Audit Committee Charter
Adopted 11/19/2009
Revised 04/16/2013

Item #15

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, [\[Dan J\] Keep or remove?](#)
 - 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, [\[Dan J\] Does this take place?](#)
 - 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 and / 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 or when the Board appoints a new member, whichever is later.

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. [Dan J] Does 4 consecutive terms include one and two year terms? If yes, a person can serve between 4 and 8 consecutive years depending on the number of one and two year terms. Consider changing to number of years instead of consecutive terms?

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, [\[Dan J\] Should the term "material" be defined?](#)
- 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: [Dan J] Does the Committee actually do items 1-6 below? If not, perhaps the preceding sentence should read, "To carry out this duty, the Audit Committee may:

- 1) Reviews the effectiveness of the ESUHSD's accounting organizational structure, and operations [Dan J] Has this been done?
- 2) Reviews the ESUHSD's internal controls, the adequacy of such controls, and recommends changes to management and the Board, [Dan J] Has this been done?
- 3) Reviews with the Superintendent and other management personnel the adequacy of systems and procedures for protecting information, [Dan J] Has this been done?
- 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. [Dan J] Has this been done?

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. [Dan J] Is this happening?

The Audit Committee's oversight responsibility includes: [Dan J] Change to read "...may include:"?

- 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) [Dan J] Does this happen?
- 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, [Dan J] Does this happen?
- 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 independent auditor's assessment of the ESUHSD's system of internal controls, [Dan J] I don't think the independent auditor opines on the 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. [Dan J] Is a written report actually prepared?

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. [Dan J] Keep if this happens – delete if there are other controls over this.