

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

December 5, 2017

6:00 PM

East Side Union High School District
Education Center

Superintendent's Conference Room
830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

Chair Pattie Cortese called the meeting to order at 6:07 PM.

Committee members present for roll call:

Chair Cortese, Vice Chair Nguyen, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens

Staff present:

- *Kelly Kwong*
- *Marcus Battle*
- *Silvia Pelayo*
- *Janice Unger*
- *Julio Lucas*
- *Mary Guillen*

Presenter present:

- *Joyce Peters, External Auditor – VTD*

2. Introductions

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

3. Adopt Agenda

There were no changes to the agenda.

4. Special Order of Business

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

There was no special order of business.

5. Public Comments

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

There were no public speakers.

6. Approval of Minutes

Minutes from the September 12, 2017, meeting will be presented for approval.

Motion by Member Juchau, second by Member Berg, to approve the Board Audit Committee Minutes September 12, 2017, as presented.

Vote: 5/0; motion carries

External Auditor

7. Discussion/Action: Annual Audit 2016-17

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will provide an update from the final testing and will present the following draft reports for the year ended June 30, 2017:

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

The reports are all clean, including the bond programs. The actual financial report is consistent with prior years. There are no new things coming in, except for GASB 77, which says you have to disclose for tax abatement. Other than that, everything is the same.

Regarding GASB 74, the District has a trust fund. VTD spoke with the trust fund administrator. It does not belong in the books and was, therefore, removed from the books. The trust fund administrator is required to comply with GSAB 74. If you take a look at the fiduciary fund, you will see that the trust fund has been removed.

The bonds are clean reports. This year, the bond reports are only financial statement reports since the District hired someone else from the outside to perform a comprehensive performance audit report.

Chair / Vice Chair

8. Discussion/Action: Updates

Pattie Cortese, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

Vice Chair Nguyen shared with the Committee that the District will be placing on the June 2018 ballot a parcel tax measure to help the projected deficit. A presentation will be made to the Board by the consultants on the pros and cons of a parcel tax measure, \$49-\$79.

Superintendent / Associate Superintendent of Business Services

9. Discussion/Action: Synthetic Turf Maintenance Audit Report – Final Remediation

Marcus Battle, Associate Superintendent of Business Services, and Julio Lucas, Director of Construction, Maintenance, and Facilities, will report on the final resolution of the Synthetic Turf Maintenance Audit Report FY16-06 dated March 25, 2016, originally presented to the Audit Committee on April 4, 2016.

Director Julio Lucas shared with the Committee that the District has a yearly maintenance plan on the synthetic turfs. The turf fields are tested every July/August. There are a few fields that are near their life expectancy and there is a plan within the Measure Z Bond to replace those turf fields. Machines were purchased for the sites to maintain the fields in between the yearly check ups.

10. Discussion/Action: Facility Use: Custodial Hours Audit Report – Final Remediation

Marcus Battle, Associate Superintendent of Business Services, and Janice Unger, Director of Purchasing and Capital Accounting, will report on the final resolution of the Facility Use: Custodial Hours Audit Report FY17-01 dated August 17, 2016, originally presented to the Audit Committee on August 23, 2016.

Director Janice Unger provided the Committee an updated report on the final resolution of the Facilities Use: Custodial Hours Audit Report. At the August, 2016, Audit Committee meeting, the Committee asked that the District remedy the report by listing the communication process, which promotes a positive customer value. As a result, Administration Regulation (AR) 1330E was created and is being shared with the Committee. On page 5 of the AR, are the custodial guidelines for rental events. Page 1 of the

Administrative Regulation addresses customer value, which allows for the customer to list/submit their experience.

11. Discussion/Action: Staff Time Charged to Bond Fund Audit Report – Final Remediation

Marcus Battle, Associate Superintendent of Business Services, and Silvia Pelayo, Director of Finance, will report on the final resolution of the Staff Time Charged to Bond Fund Audit Report FY17-03 dated August 17, 2016, originally presented to the Audit Committee on August 23, 2016.

There are a total of 14.68 positions charged to the bond fund. The positions were reviewed and are appropriately charged to bond funds. The bond performance auditors will review the information to verify that the positions charged to the bond funds are reasonable. The work performed by these positions are tied to the bond programs.

Senior Manager of Internal Controls

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

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that there has been some turnover in the ASB area, two clerks at two different sites, including one clerk out on medical leave. They have all been provided ongoing support and training by Kelly Kwong, as well as staff from Business Services.

There were some issues this calendar year at two sites. The matters are personnel-related, and, therefore, details on the matters cannot be disclosed.

13. Discussion /Action: School Connected Organizations

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

Administrative Bulletin #005 requires an annual renewal of school connected organizations, due October 1. Twelve renewal applications have been received and recognized for the 2017/2018 school year.

Several schools have new groups that are forming and would like to become a booster. The District will be guiding and supporting them on the process. All new school connected organizations require Board approval. They are in the process of obtaining their non-profit tax identification number.

14. 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.

For 2016/2017, as reported in the past, there were a total of seven reports. Since then, one report has been received, a call on November 16, 2017. The matter is personnel-related and has been addressed by the Associate Superintendent of Human Resources and the site Principal.

Audit Committee Business

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

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

- 15A. Member Terms
- 15B. Draft Announcement Seeking Applicants
- 15C. Draft Member Application

The terms of the Audit Committee Chair and Vice Chair will be expiring on Thursday, December 7, 2017.

The terms of Member Reinke, Member Berg and Alternate Stephens will be expiring at the end of January, 2018. They are invited to reapply to serve as members on the Audit Committee.

The vacancy announcement will be posted on Friday, December 8. We are waiting for the appointment of the new Audit Chair for listing as a contact in the announcement.

16. Discussion/Action: Future Meetings

Audit Committee to schedule the next meeting.

The next Board Audit Committee meeting will be held on March 27, 2018, at 6:00 PM in the ESUHSU Superintendent's Conference Room.

Additional dates set by the Committee is as follows:

- *April 3 will remain as an option if March 27 does not work out*

17. Superintendent Communications/Comments

- Chris D. Funk, Superintendent (*absent*)
- Marcus Battle, Associate Superintendent of Business Services
 - *On behalf of the Superintendent, Mr. Battle thanked Mr. Frank Stephens for his service to the Audit Committee. His input and comments were appreciated.*

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.

Members of the Committee thanked Mr. Frank Stephens for his service and contributions to the Audit Committee.

Chair Pattie Cortese and Vice Chair Lan Nguyen thanked the Committee for their service, contributions, and support. It has been a great learning opportunity.

19. Future Agenda Items

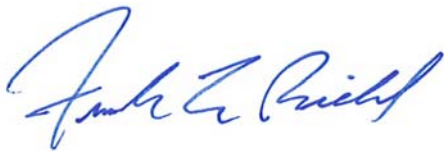
Recurring calendar item:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>
<i>Results of Total School Solutions Bond Performance Audit</i>	<i>March/April 2018</i>	<i>Marcus Battle</i>

20. Adjournment

Chair Cortese adjourned the meeting at 7:10 PM.

Respectfully submitted,



*Frank Biehl
Board Audit Committee Chair*