

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Approved

Board Audit Committee

September 10, 2011

9:00 a.m.

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 by Chair Frank Biehl at 9:01 a.m. Present were Vice Chair Martinez-Roach, Member Berg, Member Neighbors, Member Juchau, and Alternate Member Gonzalez.

Staff members in attendance were:

- *Dan Moser*
- *Ian Marsh*
- *Mary Guillen*
- *Karen Poon*

Presenters:

- *Ian Marsh, Internal Auditor*
- *Ahmad Gharaibeh, External Auditor*

Members of the public in attendance were:

- *Jon Reinke*
- *Bill Masching*

2. Introductions

Persons present at the meeting introduced themselves.

3. Adopt Agenda

Motion by Member Neighbors, second by Member Berg, to adopt the agenda as presented.

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 19 was moved out of order and to be heard first on the agenda, prior to item 5.

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 .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.

- *Jon Reinke – New Officers Appointed to CBOC Committee –
Chairperson Cecil Lawson*

6. Approval of Minutes

Action: Minutes from the June 11, 2011, meeting will be presented for approval.

Motion by Member Juchau, second by Member Berg, to approve the minutes as presented.

Vote: 5/0

Internal Auditor Work Plan

7. Discussion/Action: FCMAT Report: Update the Status of All Actions taken in Response to the FCMAT Report Recommendations

Ian Marsh, Internal Auditor, will review all actions taken by the Board and the Administration in response to the recommendations included in the FCMAT Report

Internal Auditor Marsh shared with the Committee comments from the Associate Superintendent of Business Services and the Fiscal Services Representative, both from the Santa Clara County Office of Education. The topic of “fiscal independence” came up in conversation. The County Office is looking at the process used when East Side was first granted fiscal independence. Alum Rock, San Jose and Fremont are fiscally independent districts. The State created a new category, “fiscally accountable,” which means the status can be revoked at any time.

External Auditor Gharaibeh stated that there are seven fiscally independent districts in the County of Santa Clara. He also indicated that there are different levels of fiscally accountable. It was also mentioned that the County Office may be interested in reviewing warrants to review the payments/funding.

Karen Poon mentioned that, last year, the Santa Clara County Office of Education was granted QSS access to view the District's financial data.

External Auditor Gharaibeh indicated that the County Office is probably looking at back-up information.

Internal Auditor Marsh stated that there has been an ongoing issue with receiving the Conflict of Interest Statement back from contractors. The County Office would like to know how many Conflict of Interest Statements are on file at East Side District.

Chair Biehl requested that a copy of the Conflict of Interest Statement be provided at the next Audit Committee Meeting.

Superintendent Moser mentioned that he has an appointment with County Superintendent of Schools Chuck Weis next week. Associate Superintendent Marcus Battle will be attending the meeting with him.

8. Discussion/Action: Facilities Development Measure G & E General Obligation Bond Funds

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for the Measure G & E General Bond Obligation Funds.

Internal Auditor Marsh met with staff to discuss the current projects. He also mentioned that the program management contract with SGI will be revised. At the next Audit Committee Meeting, more information will be reported out to the Committee.

9. Discussion/Action: School Site Cash Handling

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for the handling of cash at school sites.

Internal Auditor Marsh presented a draft Administrative Regulation on Cash Handling at School Sites.

Superintendent Moser will coordinate efforts with Internal Auditor Marsh to ensure that cross references, policies, Education Codes, and law are noted in the administrative regulation.

Motion by Chair Biehl, second by Member Berg, to accept the first draft of administrative regulation "School Site Cash Handling," refer the administrative regulation to administration for review, and direct administration to report back on November 19 with a final draft for review by the Audit Committee.

Vote: 5/0

10. Discussion/Action: Attendance Reporting

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations for attendance reporting at school sites.

Internal Auditor Marsh shared with the Committee that he visited four school sites in August to review their attendance.

Vice Chair Martinez-Roach indicated that attendance reporting is an issue. It should be brought back for further discussion at the next meeting.

Superintendent Moser explained the attendance taking process to the Committee.

11. Discussion/Action: Legal Expenditures

Ian Marsh, Internal Auditor, will present findings and recommendations for action related to policies and administration regulations related to legal expenditures.

Internal Auditor Marsh indicated that legal expenses equal \$1.23 million. He shared with the Committee the following information:

- *Survey of legal expenses at various school districts*
- *Summary of District legal costs for fiscal year 2010-2011*
- *Memo summarizing review of legal expenses*
- *Draft Administrative Regulation: Legal Services*

Motion by Chair Biehl, second by Member Neighbors, to receive the first reading of administrative regulation "Legal Services," to refer the administrative regulation to administration for review, and direct administration to report back on November 19 with a final draft for review by the Audit Committee.

Vote: 5/0

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

Ian Marsh, Internal Auditor, will report on the implementation of a Fraud, Waste and Abuse Hotline as approved at the August 30, 2011, Board meeting.

Internal Auditor Marsh shared with the Committee that the Board approved the Fraud, Waste and Abuse Hotline. The contract for services will be with EthicsPoint GRC Solutions. It is currently being reviewed by Purchasing and Legal Counsel.

An update will be provided at the November 19 meeting.

13. Discussion/Action: Other Items and Possible Additions to Internal Auditor's Work Plan

Ian Marsh, Internal Auditor, will report on any other items that he is investigating and present recommendations for additions to the Internal Auditor's Work Plan. Members of the Audit Committee or the public may also make suggestions at this time.

Internal Auditor Marsh shared with the Committee that there are only two bank cards in the District. He provided the Committee an overview of the two bank cards: who they are issued to and intended use.

Chair Biehl mentioned that the next time the Internal Auditor's Work Plan is reviewed, he would like to add: Review of Records and Retention Policy.

External Audit

14. Discussion/Action: 2009/10 East Side Union High School District Audit

Ahmad Gharaibeh, External Auditor, will report on the status of the 2009/10 external audit.

External Auditor Gharaibeh indicated that there was a repeat finding in student body funds; the same as last year. The issue is training and process of enforcement.

15. Discussion/Action: Leasing of Facilities

Ahmad Gharaibeh, External Auditor, will report on the improper reporting of facilities leasing revenues.

This item was discussed under item 14.

District Administration/Superintendent

16. Discussion/Action: Carnival Policies and related Issues

Superintendent Dan Moser will report on the current Board policy related to the authority to authorize a “Carnival” and the development of an administrative regulation that includes certificate of insurance requirements for liability and workers compensation.

Superintendent Moser presented a draft revision to Board Policy 1330 “Use of School Facilities. This policy covered the permission and process for use of facilities. The cost to rent the facilities is covered in the 3000 series – Business Services.

Superintendent Moser will bring a fee schedule back in six months to the Committee.

17. Discussion/Action: E-RATE Reimbursement for 2008

Superintendent Dan Moser will brief the committee on the current status of the E-RATE reimbursement.

Superintendent Moser provided an update on the E-Rate reimbursement for 2008. The outstanding claim for 2008 has been approved.

Also provided to the Committee was an E-Rate status report by Internal Auditor Marsh for claim years 2008, 2010 and 2011, including the approved funding amounts.

Vice Chair Martinez-Roach requested that the Board be provided an update on E-Rate.

Superintendent Moser will speak with Associate Superintendent Battle regarding an update to the Board of Trustees.

18. Discussion/Action: Status of Special Education IEP’s

Superintendent Moser will report on the status of the District’s efforts to comply with Individual Education Plan (IEP) requirements for Special Education students.

Superintendent Moser provided an update on the status of outstanding IEPs. There are 320 outstanding IEPs. Efforts are being made to continue to reduce the numbers.

External Auditor Gharaibeh will be ready by the November meeting to provide an update on this audit item.

This item will be kept on the agenda for further updates to the Committee.

Audit Committee Business

19. Discussion/Action: Annual Review of Audit Committee Charter

Section V, Self-Assessment, requires the annual review of the Charter. Audit Committee member Dan Juchau will provide recommendation for revisions to the Audit Committee Charter

Member Juchau presented item 19, proposed changes to the Audit Committee Charter.

Page 1:

- *Audit Committee Authority -- Removed second paragraph – language no longer necessary.*

Page 2:

- *Added: G. Providing input on the effectiveness of the external independent auditor*
- *Under membership, there are some points of clarification: Appointment of Board Members to the Audit Committee will be made at the Board's Annual Organizational Meeting in December; public members will be appointment at the first Regular Board Meeting in January.*

Page 3 (bottom):

- *If a vacancy occurs, the voting members shall appoint the alternate member to fill the remaining term of that departing voting member. The Audit Committee Chair and Vice Chair will make recommendations to the Board as to how to proceed to fill the alternate's position.*

Page 5 (middle):

- *Clarification on request for information. Only the Audit Committee Chair will make requests for information.*

Member Berg asked if he would be precluded from making public records requests.

Chair Biehl indicated that Member Berg, as allowed by law, would not be precluded to make public records requests.

Page 7:

- *Middle of page -- clarification: If request may make... regardless selection of an internal auditor.*
- *"B" deleted because it is no longer necessary.*
- *Self Assessment (bottom of page): The Audit Committee Chair, at the request of the Board, shall take responsibility for the immediate review and approval of the Internal Auditor's hours, vacation requests, and expense reimbursements.*

Member Juchau was thanked for his all his work on the proposed changes to the Audit Committee Charter.

Vice Chair Martinez-Roach voiced her concern on the records request language and that any member has a right to request information.

Chair Biehl indicated that it is the Committee who makes the request and it is for non-public information, with the exception of personnel and confidential information. Any individual can request information, but it is restricted to information in the Public Records Act.

Motion by Member Berg, second by Member Neighbors, to adopt the proposed changes in the Audit Committee Charter.

Vote: 4/0, Member Martinez-Roach abstained from vote; she will discuss the proposed changes at the Board Meeting.

20. Discussion/Action Future Meetings

The next Audit Committee meeting is scheduled for 9:00 AM, Saturday, November 19, 2011.

The Committee will be meeting on November 19 at 9 AM in the Superintendent's Conference Room.

21. Superintendent Communications/Comments

- Superintendent Dan Moser
- Associate Superintendent of Business Services, Marcus Battle

There were no comments under this section.

22. Audit Committee Member Comments

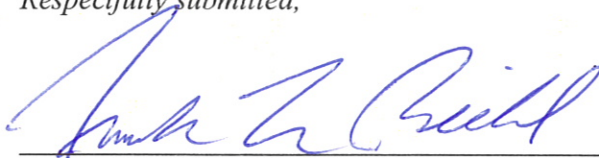
Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

There were no comments under this section.

23. Adjournment

Chair Biehl adjourned the meeting at 11:49 a.m.

Respectfully submitted,



Frank Biehl, Board Audit Committee Chair