

Oakland Unified School District

Board of Education
Paul Robeson Building
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Minutes (Long)

Thursday, September 16, 2010

6:00 PM

**Board Room, Paul Robeson Building, 1025 2nd Avenue, Oakland, CA
94606-2212**

Audit Committee

Alice Spearman, Chair

Members: David Kakishiba, Noel Gallo, Sylvester Hodges, Viola Gonzales, Dan Lindheim, Daniel Hutchinson

A. Call to Order

Chairperson Alice Spearman called the meeting to order at 6:14 P.M.

B. Roll Call

Roll Call: Present: Sylvester Hodges, Viola Gonzales, Noel Gallo and Alice Spearman
Absent: Dan Lindheim, David Kakishiba and Daniel Hutchinson

C. Modifications to Agenda

None

D. Adoption of Committee Minutes



10-2098 Minutes - Audit Committee - May 20, 2010

Approval by Audit Committee of Its Minutes of May 20, 2010.

Attachments: [10-2098 - Minutes - Audit Committee - May 20, 2010](#)

A motion was made by Noel Gallo, seconded by Viola Gonzales, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0
Adv Nay: 0
Adv Abstain: 0
Aye: 4 - Sylvester Hodges, Viola Gonzales, Noel Gallo and Alice Spearman
Nay: 0
Recused: 0
Absent: 3 - Dan Lindheim, David Kakishiba and Daniel Hutchinson
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0



10-2099 Minutes - Audit Committee - June 17, 2010

Approval by Audit Committee of Its Minutes of June 17, 2010.

Attachments: [10-2099 - Minutes - Audit Committee - June 17, 2010](#)

A motion was made by Noel Gallo, seconded by Sylvester Hodges, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0

Adv Nay: 0
Adv Abstain: 0
Aye: 4 - Sylvester Hodges, Viola Gonzales, Noel Gallo and Alice Spearman
Nay: 0
Recused: 0
Absent: 3 - Dan Lindheim, David Kakishiba and Daniel Hutchinson
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0

E. Adoption of Committee General Consent Report

None

F. Public Comments On All Non-Agenda Items Within the Subject Matter Jurisdiction of the Committee

None

G. Unfinished Business



[10-1685](#) Administrative Regulation - Cash Handling-Schools Site

Adoption by Audit Committee of a recommendation to the Board of Education establishing Administrative Regulation - Cash Handling - School Sites.

Attachments: [10-1685 - Administrative Regulation - Cash Handling-Schools Site.pdf](#)

Chairperson Spearman asked Ian Marsh, Internal Auditor, to send this item to the Committee for their review.

Tabled to a Date Certain



[10-1686](#) Administrative Regulation - Attendance Reporting

Adoption by Audit Committee of a recommendation to the Board of Education establishing Administrative Regulation - Attendance Reporting.

Attachments: [10-1686 - Administrative Regulation - Attendance Reporting.pdf](#)

Chairperson Spearman asked Ian Marsh, Internal Auditor, to send this item to the Committee for their review.

Tabled to a Date Certain

[10-2292](#) Audit Committee - Performance Self-Evaluation - Fiscal Year 2009-10

Consideration and possible Adoption by Audit Committee of Its 2009-2010 Performance Self-Evaluation.



10-2293 Internal Audit Services Annual Report - Fiscal Year 2009-2010

Presentation and possible Adoption by Audit Committee of Internal Audit Services Annual Report - Fiscal Year 2009-2010.

Attachments: [Document\(s\)](#)
[10-2293 - Internal Audit Services Annual Report - Fiscal Year 2009-2010.pdf](#)

Discussed

10-2294 Audit Committee Communication Plan

Discussion and possible Adoption by Audit Committee of Communication Plan for Distribution of Findings and Recommendations to Board of Education, Superintendent, and the Public.

H. New Business

10-2292 Audit Committee - Performance Self-Evaluation - Fiscal Year 2009-10

Consideration and possible Adoption by Audit Committee of Its 2009-2010 Performance Self-Evaluation.

Viola Gonzales stated it was her understanding that David Kakishiba was going to use the Board Policy to review this item. Chairperson Spearman said she thought we were going to have a draft of our Annual Report to the Board of Education. She said there is an item attached on line that shows the Annual Report. In discussions with Mr. Kakishiba they thought it needed to highlight some of the items in a different way. Her thought was to prepare a transmittal letter. In addition to that, Mr. Kakishiba thought we should spend some time in looking at our charge and explaining whether or not we had met our charge. There were mitigating circumstances in which it has not been possible and the committee was not functioning or we did not have access to that information. Mr. Marsh's report on pages 14 and 15 is the charge of the Audit Committee. Page 15 could be converted to a chart that could show the committee did or did not meet the charge. Beyond the ten points, there is the matter of the organization of the Audit Committee which page 14 speaks to. Chairperson Spearman stated it needs to be put in chart form to be filled out by committee members. Viola Gonzales said she would work with staff to do that.

Discussed

Roll Call (Secretary's Observation)

David Kakishiba present at 7:00 P.M.

Roll Call: Present: Sylvester Hodges, Viola Gonzales, Noel Gallo, David Kakishiba and Alice Spearman

Absent: Dan Lindheim and Daniel Hutchinson

**10-2293****Internal Audit Services Annual Report - Fiscal Year 2009-2010**

Presentation and possible Adoption by Audit Committee of Internal Audit Services Annual Report - Fiscal Year 2009-2010.

Attachments: [Document\(s\)](#)
[10-2293 - Internal Audit Services Annual Report - Fiscal Year 2009-2010.pdf](#)

Ian Marsh, Internal Auditor, reviewed the Internal Audit Services Annual Report for FY2009-10 dated September 16, 2010.

Page 1

Last September he met with Superintendent Smith to identify the major challenges for Internal Audit. We jointly identified the three major areas of interest as listed on the Cover Memo and the planned actions. Part of his evaluation was professional development and he has a comment at the bottom of page 1 regarding his professional development hours.

Mr. Marsh reviewed his memorandum to the committee and attachments, including Summary of Major Findings and Recommended Actions for Attendance, School Site Cash Handling, Cash Handling at Athletic Events, Associated Student Body, Liaison with Outside Auditors (State Controller's Office 2007-08 Audit), State Compliance and Federal Compliance, Education Audit Appeals Panel, Payroll (Leaves), Mandated Cost Recovery (Notice of Truancy Letters), Categoricals, Staff Training, Special Projects, NBC General Contractors, Legal Services, Title I, Supplemental Educational Services, and Documented Procedures.

Schedule I, Approved Work Plan, 2009-10, was reviewed, as well as Schedule 2, Draft Work Plan 2010-11, and Schedule 3, Board Policy 3461 and Schedule 4, Board Policy 3462, and Schedule 5, Other Internal Audit Assignments.

Committee Comments:

Chairperson Spearman said she spoke with Vernon Hal, Deputy Superintendent, Business & Operations, who had a discussion with State Assemblyman Sandre Swanson in July. The Assemblyman has agreed to sponsor legislation requesting forgiveness of the negative audit findings for Oakland Unified School District, because many of the State findings were done during State Administration. Chairperson Spearman stated Mr. Hal is obtaining information for the Assemblyman who will craft language to put the legislation through.

Page 6

Sylvester Hodges asked if we can get a competitive bid and present it to the State to get them to lower their bid.

Page 7

Sylvester Hodges stated FCMAT was supposedly complying during their time in the District. They are saying they were in discompliance when they were in charge of the District. The administrators were responding to FCMAT during that time.

Viola Gonzales requested that the word "should" be changed to "shall" for Recommendations 2.1, 2.2 and 2.5 and any other area where the recommended language is vague.

2.4

Chairperson Spearman requested the Recommended Action read as follows:

Financial statements shall be prepared monthly, sent to Fiscal, with copies going to the Internal Auditor's Office.

2.5

Chairperson Spearman requested the Recommended Action read as follows:

Bank reconciliations shall be prepared monthly and independently approved, to be sent to Fiscal with copies going to the Internal Auditor's Office.

2.6

Chairperson Spearman requested the Recommended Action read as follows:

There shall be a contemporaneous record for all cash receipts, such as manual receipts or acknowledgement letters.

2.7

Chairperson Spearman requested the Recommended Action read as follows:

Training in cash handling and Associated Student Body Procedures shall be provided at least annually.

Federal Compliance 1 - Equipment - FY 2007-08, the District did not have auditable fixed asset records. This exception is being corrected.

Chairperson Spearman asked if this item could be placed on the Finance Committee for discussion.

1.1

All-Day Code in AERIES not entered consistently.

Sylvester Hodges requested that Recommended Action read as follows:

For period attendance, attendance office staff shall be reminded of the importance of entering applicable AERIES codes daily in the all-day field. Mr. Hodges said wording should be added that documentation reflecting that reminder.

1.3

Chairperson Spearman requested the Recommended Action read as follows

If teachers fail to sign and date weekly attendance reports as required by Education Code, this should be documented for disciplinary action.

1.4

Chairperson Spearman requested the Recommended Action read as follows:

Attendance Clerks and Principals shall be fully compliant with Independent Study documentation requirements, or corrective action will be taking place.

1.5

Chairperson Spearman requested the Recommended Action read as follows:

Willful non-compliance will be documented for disciplinary action.

1.7

Chairperson Spearman requested the Recommended Action read as follows:

The Attendance Clerk position description shall be updated. Failure to attend AERIES training will result in disciplinary action.

1.8

Chairperson Spearman requested the Recommended Action read as follows:

Internal Audit shall work with Information Technology to ensure all teachers have a working computer on which to record attendance.

1.10

Chairperson Spearman requested the Recommended Action read as follows:

Principals shall be fully compliant with Education Code.

1.11

Chairperson Spearman requested the Recommended Action read as follows:

Principals shall document all suspensions in accordance with the Education Code.

Mr. Marsh reviewed information on Section 7, Payroll Leaves and documentation. Mr. Marsh said the District has had ongoing internal control concerns related to checks being issued in the incorrect amount and payments of taxes and liabilities not matching.

7.1

Chairperson Spearman requested the Recommended Action read as follows:

A quality control function shall be established to work within Payroll Services but report independently, either to Fiscal Services or Internal Auditor. Controlled payoffs and ACL payroll/HR file matches shall be used to help provide assurance that gross pay, withholdings and net pay fall within expected ranges, and all employees are bona fide.

7.4

Viola Gonzales requested the recommended action read as follows:

Access to IFAS shall be limited to those who require access to specific modules.

Mr. Marsh reviewed recommendations for Leaves sections 7.7 through 7.10

Sylvester Hodges asked if this item is part of the employees' bargaining agreement. That may be something Mr. Marsh may wish to recommend when contracts open up.

Chairperson Spearman said the recommendations in 7.7 and 7.9 are negotiable items.

7.10

Chairperson Spearman requested the Recommended Action read as follows:

On separation of employment, HR and Payroll Services shall document that accrued vacation and leave balances in IFAS are accurate.

Secretary Rakestraw stated the point has been made that if someone has already accrued leave under their employment relationship with the District, whether or not the District can then take it away or drop it at the time of legal separation, or whether we have obligations to that party, depends on the particular circumstances and has to be reviewed on a case-by-case basis. Going forward with new employees, the District may be able to negotiate some language.

Mr. Marsh reviewed sections on Mandated Cost Recovery, Categoricals, Staff Training, and Special Projects.

Section 9.

Chairperson Spearman requested the Recommended Action read as follows:

The Family and Community Office shall ensure that all Notice of Truancy Letters meet Education Code requirements.

12.3

Mr. Marsh said he has frequent contact with Legal Services and one issue that surfaced frequently was whether a District employee can also work as an Independent Contractor. Some custodians who worked at athletic events were paid from student body funds with no withholding. The District is obligated to pay the employer's share of benefits.

Chairperson Spearman urged Mr. Marsh to discuss the issue with Facilities because there is a policy and a procedure, especially for the custodians. No one should have been paid from student body funds.

12.4

Mr. Marsh said information came to him that there might be some irregularities in the recording of attendance. He reviewed one month in detail and he did find a number of instances where students who had been marked "absent" all day in the regular school program were marked "present" in the after-school program. He met with the contractor who said they were aware of deficient record keeping and assured us that the errors have been corrected. The District was reimbursed.

Mr. Marsh stated, as a District, we should be very cautious to ensure accuracy of the record keeping by the contractors. Our Food Service Department expressed similar concerns because they had noted that meal counts were being adjusted to reflect the client attendance. Mr. Marsh stated he would like to review some other SES programs. He said, while these Services were described as academic programs, the academic part was very limited. He sat in and observed several classes. Most of the time was spent doing their regular class homework with supervision. As soon as they finished they were allowed to go out and play.

Director Kakishiba said the citing of existing policy is a good idea. Once the committee accepts the report and it is presented to the full Board, the Board has to direct the Superintendent to give responses on all the recommendations.

Page 18 - Schedule 5

Mr. Marsh reviewed miscellaneous items that were assigned to him. He also stated there have been instances of noncompliant food sales. At one high school, there is an ongoing issue with coaches buying pizzas for lunch.

Sylvester Hodges noted the importance of establishing a paperwork trail in order to put some pressure on the affected teacher/principal.

Page 19 - Organizational Chart

Mr. Marsh alerted the committee of a change in his reporting relationship as noted on Schedule 6 for last year, as compared to Schedule 7, the organizational chart for this year.

Chairperson Spearman said Mr. Marsh does not report to the Deputy Superintendent. He reports to the Board of Education.

Secretary Rakestraw said the policy needs to be formally changed. The language raises a question about the reporting relationship. It would be up to the Board to clarify language if it wishes to do so.

Chairperson Spearman said we would have to bring this item up at Finance Committee (Board Policy 3462 Business and Noninstructional Operations - Internal Audit).

Chairperson Spearman asked Mr. Marsh for a recommendation to change the reporting relationship shown on page 16. She said the Committee will explain the change to the full Board. Chairperson Spearman said the recommendation would come as a separate recommendation from the committee. Mr. Marsh stated it could be worded as a resolution to the Board. The third paragraph of BP 3462 would read: The Internal Audit Department is established by the Board, and its responsibilities are defined by the audit committee of the Board. The Internal Auditor will report administratively to the Board.

Mr. Marsh said he would incorporate the changes into his report, as requested by the Committee. He will Email the revised version to each committee member. Chairperson Spearman asked Secretary Rakestraw to schedule this item for the full Board on October 27. She asked all committee members to attend the meeting on the 27th.

Director Kakishiba said we could do a transmittal letter, too. Chairperson Spearman said it could be as an attachment to the report. It is a recommendation of the Audit Committee that the resolution be adopted by the Board which will change the language. We will schedule it for Board presentation for October 27.

Secretary Rakestraw said this Committee would review and approve the report at its meeting on Thursday, October 21.

Regarding the SCO Audit Report, Chairperson Spearman stated there needs to be a disclaimer. Director Kakishiba stated there are some current systems that are weak. Maybe we could work on another version of the letter. Chairperson Spearman requested Viola Gonzales and David Kakishiba to rework the letter. Director Gallo suggested the letter list District corrective actions taken based on recommendations from the Internal Auditor.

Chairperson Spearman asked Mr. Marsh to send the proposed transmittal letter to committee members for their review.

Tabled to a Date Certain

10-2294 Audit Committee Communication Plan

Discussion and possible Adoption by Audit Committee of Communication Plan for Distribution of Findings and Recommendations to Board of Education, Superintendent, and the Public.

Discussed



10-2295 Audit Committee and Internal Auditor - Work Plan - 2010-2011

Discussion and possible Adoption by Audit Committee of Internal Auditor Work Plan for Fiscal Year 2010-11.

Attachments: [Document\(s\)](#)
[10-2295 -Audit Committee and Internal Auditor - Work Plan - 2010-2011.pdf](#)

Ian Marsh, Internal Auditor, referenced page 13 of his report (Schedule 2) and stated several of the matters have been discussed earlier in the meeting. He reviewed the

sections on Payroll Leaves, Attendance and School Site Cash Handling, ASB, and After School Tutoring Programs, Procurement was on last year's schedule which he did not get to, as well as Accounts Payable. The focus will be on expenditures which are somewhat controllable. The area of utilities might be of value.

Mr. Marsh said he expects to continue to be a liaison with the Outside Auditors. He expects a significant amount of time to be spent on that item. Mr. Marsh said he expects special projects will come up during the year.

Regarding Items 1, 2, 3, David Kakishiba asked Mr. Marsh if he would be doing follow up with the Superintendent to insure the recommendations have been implemented. Mr. Marsh said that would be his intent. The letter should say what the process is and that we wish the Superintendent to implement the recommendations and report back. In the meantime, we will be tracking them.

Secretary Rakestraw said the Audit Committee recommendations are recommendations to the Board which are adopted by the Committee as their own. The Committee is asking the Board to then adopt those findings and recommendations before a response is required from Administration.

David Kakishiba stated the Board of Education is being asked to adopt our report and its recommendations and the authority to continue to do our work.

Viola Gonzales asked the committee to take a look at the cover letter and suggest additional language that the Internal Auditor could work with.

Chairperson Spearman said Viola Gonzales was going to prepare a chart for the committee for the Self Evaluation. Viola said she would do a chart of the tasks which will be available for the next meeting.

Chairperson Spearman thanked Mr. Marsh for the extremely good work in his reports.

A motion was made by Noel Gallo, seconded by David Kakishiba, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0
Adv Nay: 0
Adv Abstain: 0
Aye: 5 - Sylvester Hodges, Viola Gonzales, Noel Gallo, David Kakishiba and Alice Spearman
Nay: 0
Recused: 0
Absent: 2 - Dan Lindheim and Daniel Hutchinson
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0

I. Adjournment

Chairperson Spearman adjourned the meeting at 8:29 P.M.

Prepared By: _____

Approved By: _____