

# Oakland Unified School District

Board of Education  
Paul Robeson Building  
1025 2nd Avenue, Suite 108  
Oakland, CA 94606-2212  
(510) 879-8199 Voice



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**Minutes (Long)**  
**Thursday, February 19, 2009**  
**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, (Vacancy), Gilda Gonzales, Dan Lindheim,  
Sharon Cornu*

## A. Call to Order

*Chairperson Alice Spearman called the meeting to order at 6:59 P.M.*

## B. Roll Call

**Roll Call:** Present: [Vacant], Dan Lindheim, Noel Gallo, David Kakishiba and Alice Spearman  
Absent: Sharon Cornu

## C. Modification(s) To Agenda

*None.*

## D. Adoption of the Committee General Consent Report

*N/A*

## E. Unfinished Business

*N/A*

## F. New Business



### [09-0575](#)

#### **District Responses to the FY 2005-2006 State Controller's Audit Findings**

Presentation of District Responses to Certain 2005-2006 State Controller's Audit Findings

**Attachments:** [09-0575 - District Responses to the FY 2005-2006 State Controller's Audit Findings.pdf](#)

*In response to Director Gallo's question about audit findings, Superintendent Mayor stated we are still in negotiations and appealing some of the audit findings. The findings are complete for 2003-04 and 2004-05 and staff will bring back the amount of our liability for those two fiscal years. We are still in the process of appealing the 2005-06 penalties. Superintendent Mayor said the District liability for the earlier year has already been repaid out of the State Loan. We will bring information to the Committee on amounts paid, outstanding balance and how it was funded. The District is currently in the audit process for 2006-07. Director Kakishiba said for 2006-07 and 2007-08, the combined audit process was contingent on our hiring people to untangle our fund balance. Are we making progress? Vernon Hal, Chief Financial Officer, stated we have an external firm to get funds balanced in order to get cleaner*

audits. Director Kakishiba said there is a 15 million dollar appropriation from construction funds bond money and we have a multi-year plan to repay ourselves. Is it possible to use the State loan to repay our capital fund? State Administrator Matthews stated there are specific items can be funded. We will have to ask permission because that is not specifically spelled out. He can make that request to the State Department of Education.

### **09-0576 Report - Pupil Attendance Reporting**

Report by Internal Auditor on District's Pupil Attendance Reporting including but not limited to data accuracy, staff assistance and training, policy and administrative regulations and recommendations.

*Ian Marsh, Internal Auditor, distributed a report and reviewed portions of report on Pupil Attendance Reporting. The report listed issues and exceptions which he noted in site visits, including the use of codes, clearing of unverified absences, documentation of parent contacts, reporting of suspensions, independent study completion rates and attendance clerk positions at school sites.*

*Mr. Marsh distributed and reviewed a report on cash handling procedures at school sites. He has reviewed procedures at one middle school and one high school. He noted exceptions in the report involving the commingling of District and ASB funds, bank card authorization, bank accounts at school sites, check cards, reconciliation of bank accounts, ASB accounting system, supporting documentation for disbursements, compensation of independent contractors, expenditures for staff development, cash receipts from student fund raising activities, ASB budgets, and expenditure detail in checkbook.*

*He distributed draft policies relating to Revolving Funds, Petty Cash Funds, and Student Activity Funds. He is recommending the District examine the policy of using single bank accounts to record both district and non-district receipts, and also the authority of staff to open bank accounts. The District needs to have a complete listing of all bank accounts.*

### **09-0577 Report - Cash Handling, Bank Accounts, Trust Funds, Donations**

Report by Internal Auditor on District's Cash Handling, Bank Accounts, Trust Funds, Donations and recommendations.

*Ian Marsh, Internal Auditor, distributed an Internal Audit Report on Cash Handling listing control exceptions at two schools which he visited today. The report for the high school listed:*

- *District and non-district (ASB funds) should not be commingled in the same bank account or general ledger account.*
- *Bank cards attached to site bank accounts should not be issued without authorization.*
- *Bank accounts should not be opened without the approval of the District's Accounting Department and ratification by the Board of Trustees.*

- *Check cards should not be used to make cash withdrawals from the ASB bank account.*
- *Cash advances should not be made using ASB checks.*
- *Bank accounts should be reconciled monthly, independently of the custodian.*
- *The ASB manual accounting system is inadequate to report ASB transaction detail.*
- *Original documentation should always be used to support disbursements.*
- *Check requests should include three approval signatures (advisor, Student Council representative, principal or designee) as required by the Education Code.*
- *The Student Council, by resolution, should approve all ASB expenditures*
- *Procedures to compensate independent contractors from ASB funds are weak and non-compliant with IRS reporting requirements. When additional services are provided by school staff, such as coaching, they should be paid through Payroll Services.*
- *Expenditures for staff development should not be charged to ASB accounts.*
- *Cash receipts collected from student fund raising activities should be double counted.*
- *There is a concentration of responsibilities in the ASB Treasurer.*
- *ASB budgets should be prepared, revenue potentials calculated, and the Board should approve all ASB fundraising activities.*
- *To assist reconciliation of the bank account, the chronological sequence on checks should match the ASB fundraising activities.*
- *A listing of individual checks deposited should support deposit totals.*

*The report for the middle school included:*

- *There is no running account balance in the checkbook*
- *Expenditure detail was not always shown in the checkbook*
- *There is no deposit detail in the checkbook.*
- *Bank reconciliations had not been prepared.*
- *Numerous bank statements could not be found.*
- *Payments had been made to consultants with contracts in place.*
- *W9 forms were not prepared for consultants*
- *There was no supporting detail for various expenditures.*
- *District and non-district funds were commingled.*

*A draft policy regarding petty cash fund procedures is available.*

*(Director Kakishiba left the meeting at 7:38 P.M.)*

*Committee Member Lindheim asked about the magnitude of the bank accounts. Mr. Marsh said the accounts are over \$50,000 at the high schools.*

*Committee Member Lindheim asked if a major concern at the sites was due to poor record keeping? Mr. Marsh said there were a lot of checks being written with single signatures.*

*Committee Member Lindheim asked if there was a lack of procedure? Mr. Marsh said the school treasurer is overwhelmed by the amount of transactions and lacked resources.*

*Superintendent Mayor said this is an area the District is deficient in. In the Fall, we sent a memo to all sites saying that all subsidiary accounts need to be closed. Staff development was provided to principals and ASB advisors.*

*Chairperson Spearman said there are debit cards floating around the District and said there was an alleged misuse of a card by a principal. How long will it take to audit the schools?*

*Mr. Marsh said it takes 2 - 3 days to complete a thorough review, depending on whether there are issues. Chairperson Spearman asked to see audits at all high schools and middle schools. She also asked to see the audit of the cash accounts.*

*Committee Member Gonzales asked to see the results of the two reports and which schools have complied with the requirements.*

#### **09-0578 Status Report - Other Internal Audit Projects**

Report by Internal Auditor on the status of other Internal Audit Projects.

*Ian Marsh, Internal Auditor, distributed draft policies relating to Revolving Funds, Petty Cash Funds, and Student Activity Funds. He is recommending the District examine the policy of using single bank accounts to record both district and non-district receipts, and also the authority of staff to open bank accounts. The District needs to have a complete listing of all bank accounts.*

### **G. Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Committee**

*N/A*

### **H. Chairperson's Statement Disclosing Item(s) to be Discussed in Closed Session Today**

*N/A*

### **I. Closed Session Item(s):**

*N/A*

**J. Recess to Closed Session**

*N/A*

**K. Reconvene to Public Session**

*N/A*

**L. Second Roll Call**

*N/A*

**M. Chairperson's Statement of Reportable Action Taken in Closed Session and the Vote or Abstention of Members Present, if any.**

*N/A*

**N. Introduction of New Legislative Matter**

*N/A*

**O. Adjournment**

*Chairperson Spearman adjourned the meeting at 7:57 P.M.*

Prepared By: \_\_\_\_\_

Approved By: \_\_\_\_\_