

# Oakland Unified School District

Board of Education  
Paul Robeson Building  
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## **Minutes (Long)**

**Thursday, October 28, 2010**

**6:00 PM**

**Special Meeting**

**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 6:04 P.M.*

## B. Roll Call

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

## C. Modifications to Agenda

*None*

## D. Adoption of Committee Minutes



### [10-2328](#) Minutes - Audit Committee - September 16, 2010

Approval by Audit Committee of Its Minutes of September 16, 2010.

**Attachments:** [10-2328 - Minutes - Audit Committee - September 16, 2010](#)

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

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

## E. Adoption of Committee General Consent Report

*None*

### **Roll Call (Secretary's Observation)**

*Sylvester Hodges present at 6:06 P.M.*

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

## F. Unfinished Business



### 10-1685

#### **Administrative Regulation 3450 - Cash Handling At School Sites**

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 Document\(s\)](#)

*Ian Marsh, Internal Auditor, stated the Audit Committee had previously requested an update to the District's cash handling documented procedures for school sites. Today's draft is intended to address the significant issues. The Committee also requested him to review the draft with school site staff. Suggestions of school site staff have been incorporated into the final draft.*

*Mr. Marsh stated the District has three existing cash handling documented procedures: Board Policy 3314.2 Revolving Funds; Administrative Regulation 3451 Petty Cash Funds; and Board Policy 3452 Student Activity Funds. The current procedures are old and limited in scope.*

*Mr. Marsh stated there can be significant student body activity at high schools and it is easy to become noncompliant. That is a major focus of the draft procedure.*

*Mr. Marsh said concerns have been expressed in the past regarding cash handling at athletic events. He worked with Michael Moore, OAL Commissioner, to address the concerns.*

*Viola Gonzales said the Committee did discuss, at great length, the draft Administrative Regulation AR 3450 Business and Instructional Operations for Cash Handling at School Sites, and the Committee is prepared to forward to the full Board with a favorable recommendation.*

**A motion was made by Viola Gonzales, seconded by Noel Gallo, that this matter be Recommended Favorably. 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, Alice Spearman and Daniel Hutchinson

Nay: 0

Recused: 0

Absent: 2 - Dan Lindheim and David Kakishiba

Preferential Aye: 0

Preferential Abstention: 0

Preferential Nay: 0



## **10-1686**

### **Administrative Regulation 5112 - Attendance Reporting At School Sites**

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 Document\(s\)](#)

*Ian Marsh, Internal Auditor, stated he was asked by the Committee to draft procedures for the areas of attendance reporting. The District currently has several procedures, including*

*Exemptions from Attendance (Board Policy 5112.1; Administrative Regulation 5112.1); and*

*Truancy (Board Policy 5113.1; Administrative Regulation 5113.1)*

*Mr. Marsh said this draft is intended to comprehensively address attendance reporting and major internal control weaknesses at school sites.*

*Noel Gallo asked Mr. Marsh to highlight a couple of the changes. Mr. Marsh said the current policies are old and they focus on one small part of attendance. He said the proposed policy would cover multiple areas of attendance for a single documented procedure. Mr. Marsh referred to Section 5 of Attendance Clerk - General Responsibilities. He said the first item relates to ensuring that we hire people who are qualified. Mr. Marsh said if we hire the right people, train them, motivate them and provide appropriate oversight, we can prevent many internal control issues.*

*Sylvester Hodges urged that proof of certification for attendance clerks be kept at the school sites. Mr. Hodges stated if we are going to check on school site attendance staff, the documentation should be at the school site.*

*Mr. Marsh said a member of the Instructional Technology staff was tracking it and she had a very impressive spread sheet that kept track of who had attended training and who had not. The person followed up with those who had not.*

*Chairperson Spearman said a copy of all the documentation should be available at the site and at Central office. She recommended Section 5.3 include wording that the District shall keep a copy of documentation of certification at the school site.*

*Secretary Rakestraw said it is a personnel matter and we need to be careful because of the issue of confidentiality of employee records, There is a requirement that certain things be met and not be available to everybody. The documentation probably should be in the employee's personnel file. He said he does not know whether any of the regulations require anything to be bargained with the collective bargaining units because the Attendance Clerks are usually members of a union. Chairperson Spearman said the Board can take that up. Chairperson Spearman said certification should be required. When we send it to the Board, she asked Mr. Marsh to have those changes included. If there is a problem, then the issue can be dealt with at the Board level.*

*Mr. Marsh said he would make the change.*

*Chairperson Spearman asked Mr. Marsh to include the full titles in Section 4.2 referring to REXO's."*

*Daniel Hutchinson stated the District should institute procedures to ensure the regulation is effective, teachers sharing best practices at school sites so that they set up their classrooms to take daily attendance, and to convey to our school sites the importance of meeting the standards.*

*Noel Gallo asked if the attendance is being done manually or electronically at school sites. Mr. Marsh said the process varies by site. All sites are officially ABI AERIES, but, for a variety of reasons, some teachers continue to record attendance manually which requires duplication of effort because someone else has to enter the data.*

*Mr. Gallo asked Mr. Marsh to make it a directive out of Committee for school sites to record attendance electronically and ensure that every classroom follows the procedure.*

*Chairperson Spearman referred to Section 2.4 which says that each teacher shall have access to a working computer on which to record attendance. Our responsibility as a Board is to ensure computers are in the classrooms.*

*Mr. Gallo asked staff for a status report in two or three months that would provide information on the number of classrooms that do not have access to a computer to record attendance.*

*Viola Gonzales made a motion to move this item to the full board and to give direction to Ian Marsh, Internal Auditor, to include the additions, as stated by committee members. Mr. Hodges seconded the motion.*

*Mr. Hodges stated the Board should be concerned about the process for uniformity and communicating these directives to school sites once they are approved.*

*Chairperson Spearman said the next Board Meeting is scheduled for Wednesday, November 17.*

**A motion was made by Viola Gonzales, seconded by Sylvester Hodges, that this matter be Recommended Favorably. 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, Alice Spearman and Daniel Hutchinson

Nay: 0

Recused: 0

Absent: 2 - Dan Lindheim and David Kakishiba

Preferential Aye: 0

Preferential Abstention: 0

Preferential Nay: 0

**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.

**Attachments:** [10-2292 - Audit Committee - Performance Self-Evaluation -Fiscal Year 2009-10.xls](#)  
[Document\(s\)](#)

*Viola Gonzales said Committee Member Kakishiba had suggested the Committee consider performing a self-evaluation. She reviewed her draft evaluation tool which listed the operations, overall responsibilities and individual responsibilities of the Committee. Ms. Gonzales noted that the Committee is required to prepare quarterly written reports to the Board relating to the results of Committee activities. The Committee is responsible for the evaluation of the Internal Auditor.*

*Chairperson Spearman asked if the Committee wishes to schedule the self-evaluation?*

*Sylvester Hodges recommended the Committee move forward, and, if there are issues that we find, we could always modify it in the future.*

*Chairperson Spearman asked Secretary Rakestraw to scheduled the Self-Evaluation for the November Committee meeting.*

**Discussed**

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

Presentation by the 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](#)  
[10-2293 - Superintendent of Schools Response - Internal Audit Services Annual Report - Fiscal Year 2009-2010.pdf](#)

*Viola Gonzales stated the Internal Auditor has redrafted the letter for the Annual Report for 2009-10. The only thing missing is a statement from the Audit Committee transmitting it to the full Board of Education for acceptance and a statement about the District being in a transitional period from State control and a statement about dissemination of the Annual Report. She said it is very important in our accountability to the public that the Report be included on the District's web site for public review. She said the letter prepared by Mr. Marsh captures the highlights of the report.*

*Chairperson Spearman said the fourth paragraph refers to a October 28 date for review by Committee. That sentence needs to come out because we are sending it to the Board. Chairperson Spearman asked about a statement in the letter that the Committee recommends approval of the Annual Report. Ms. Gonzales said the statement can be inserted at the beginning of the letter.*

*Secretary Rakestraw said it is his opinion that the Committee is transmitting its Annual Report to the Board for its review and consideration. The Board is an independent body and will make a determination as to accept, reject, or modify the findings.*

*Ian Marsh, Internal Auditor, stated he would revise the letter with requested edits and email to each committee member. The major changes discussed at the last Committee meeting were for stronger language in the Recommended Action section(s) for consequences of noncompliance.*

**A motion was made by Sylvester Hodges, seconded by Noel Gallo, that this matter be Recommended Favorably. 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, Alice Spearman and Daniel Hutchinson  
Nay: 0  
Recused: 0  
Absent: 2 - Dan Lindheim and David Kakishiba  
Preferential Aye: 0  
Preferential Abstention: 0  
Preferential Nay: 0

#### **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.

*Chairperson Spearman said the Committee has already discussed this and the Committee wishes to have the Internal Auditor Annual Report to be included on the front section of the District's web page for people to easily find it. She asked that the report list all members of the Audit Committee.*

**Discussed and Closed**

## **G. New Business**

#### **10-2615 State Controller's Office - District Audit for Fiscal Year 2007-2008**

Report from the Internal Auditor on the status and/or issues regarding District's Fiscal Year 2007-2008 Audit by the State Controller's Office.

*Ian Marsh, Internal Auditor, stated for the past several months, the State Controller's Office (SCO) auditors have been reviewing some of our operations from 2007-08. The emphasis has been on a review of State and Federal compliance and follow up of previous year audit findings. The auditors have been on site full time since June 1 and we have had audit status meetings with them at least once a month.*

*Mr. Marsh reviewed the tentative findings.*

*STATE COMPLIANCE*

*Mr. Marsh said they do a lot of work on attendance reporting. They did select ten school sites and reviewed their attendance reporting, along with Independent Study, Absences and related issues. Mr. Marsh stated the tentative findings are mostly in the area of certain sites reporting days of attendance in error.*

*Mr. Marsh said the auditors also reviewed the Independent Study Program and many exceptions were noted. For example, they noted several instances where required elements were missing from Master Agreements and a few instances which long-time Independent Study Contracts had been signed and dated after the fact.*

*Mr. Marsh said the District has an on-line tool for bell schedules. The auditors requested a contemporaneous record which would specify the exact time a bell was rung at each site. It would be a challenge to go back to the site and seek contemporaneous records for 2007-08, but there were some sites who had electronic copies of bell schedules which they had sent to parents. We feel that we have done all we reasonably can to document instructional minutes.*

*Mr. Marsh stated the auditors reviewed many of the title programs. They reviewed the After-School Education Safety Program. They claim that we are noncompliant with a number of CDE requirements. The biggest item is a calculation which is required by Education Code relating to the ratio of administrative employees to teachers. For 2007-08, the SCO claims the District exceeded the maximum allowable number of administrative FTEs by 78 and they are proposing a penalty of \$4.7 million. Mr. Marsh said we are devoting resources to challenge that.*

*Chairperson Spearman said the Board received a letter dated September 12 from the Controller General stating they recalculated and are going to charge us an additional \$107,000. Mr. Marsh said we were looking at a number of other areas under which we will challenge this finding.*

*Sylvester Hodges said this was a period of time that the District was under State control. Mr. Marsh said he would address that specific issue.*

#### *FEDERAL COMPLIANCE*

*Mr. Marsh stated numerous exceptions in Special Education were noted by the SCO, such as annual IEPs not being annually reviewed, not being signed and appropriate notice not being given to parents. Mr. Marsh said we would be following up on that.*

*Mr. Marsh stated the Title I Reading First Program has several tentative findings relating to time worked by staff and payment of stipends. Mr. Marsh said we would be meeting again with the SCO on November 4 to discuss the current status. They are very close to completion of their field work.*

*Mr. Marsh said there are number of open items relating to the SCO regarding the 2008-09 audit. Clearly, we would like the authority to control our destiny in terms of hiring our own independent accountants. SCO has told us that as long as we owe money to the State, they have the final say as to whether we are ready to do that.*

*Daniel Hutchinson asked about the status of the 2007-08 audit. Mr. Marsh stated there is*



*a good chance that a number of the issues will continue. Three years have passed and if we did not know the issue existed, then we were not in a position to resolve it. He asked for the Committee's patience as we identify these issues.*

*Mr. Hutchinson asked if the number has changed since 2007-08 for administrative full-time employees relating to the audit finding and possible \$4.7 million fine? Would it be an issue now under the interpretation of the outside auditor?*

*Mr. Marsh said it is his understanding that staff is looking at the ratio based upon their interpretation for the out years. It can vary between years and it has. We were compliant for 2008-09. For 2009-10, we were noncompliant. There are many variables involved and this is an area of disagreement with the SCO. We say it should be included. It is getting a great deal of attention and he expects this Committee and the Board will have a more detailed report.*

*Chairperson Spearman said when the District went to Small Schools under State Administration, we were very liberal in our interpretation. She understands that this year we are probably noncompliant and she does not understand why.*

*Secretary Rakestraw said these matters are subject to appeal. We have to be careful about what we say on the record.*

#### **Discussed and Closed**

### **10-2616**

#### **Education Audit Appeals - Fiscal Year 2006-2007 State Controller Audit Findings**

Report from the Internal Auditor on the status and/or issues regarding District's Fiscal Year 2006-2007 Audit Appeal of State Controller's Findings pending before the state Education Audit Appeals Panel, Sacramento, CA.

*Ian Marsh, Internal Auditor, provided an update. He said there are four open items from 2006-07 that we have been preparing to appeal. He has had a number of meetings with District staff and our attorneys in Sacramento in preparation of a defense. The hearings for those items was scheduled for October 19-21.*

*Mr. Marsh said the four items are:*

- 1. In the area of credentials, there were questions about a teacher, who, despite reminders, apparently taught for a couple years without renewing his credential. He subsequently renewed his credential. The proposed penalty was around \$166,000.*
- 2. Several Independent Study findings of noncompliance, such as incomplete master agreements and teachers not documenting when assignments were due. The proposed penalty was \$338,000.*
- 3. In the area of Independent Study, it was alleged the District exceeded the permitted ratio of students to teachers. The proposed penalty was \$142,000.*
- 4. There was an allegation concerning the permitted administrator-to-teacher ratio. The proposed penalty was \$1,300,000.*

*The grand total for the penalties was approximately \$2,000,000.*

*Mr. Marsh stated we had two meetings between our attorneys and staff. As a result of our preparation, on October 13, the attorney for the State Controller's Office (SCO) called to say that the State wanted to settle three of the four claims and they wanted to do it confidentially and they did not want to go to the Educational Audit Appeals Panel (EEAP). The terms that they offered were very favorable to the District.*

*After discussion, he, the attorneys and District staff discussed the proposed settlement and they gave their tentative approval to it.*

*Mr. Marsh said the remaining issue is the administrator-to-teacher ratio and will tentatively be argued before the EEAP on January 27. His sense is that the SCO may wish to negotiate a settlement. We are currently reworking our numbers and the State is reworking their numbers. At some point, the attorneys for each side will meet and discuss.*

*Mr. Marsh said the SCO did say, based on their reinterpretation of the ratio, they are now proposing a penalty of \$1.5 million, instead of \$1.3 million. Mr. Marsh stated we are exploring a number of strategies for our appeal and he is cautiously optimistic that we will have an acceptable outcome.*

*Mr. Marsh recognized the excellent work of the attorneys from Olson, Hagel & Fishburn, LLP, plus former Budget Directors Barak Ben-Gal, Jason Willis, and various current staff members, whose combined efforts saved the District from a potential loss of more than \$500,000 in future apportionment revenues.*

**Discussed and Closed**

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

*Ian Marsh, Internal Auditor, stated he recently accepted an offer of employment from the East Side Union High School District to head their Audit Department and it is with regret that his last day with the District will be November 19. He said he is most appreciative of Committee support and for the excellent relationship he has enjoyed with staff. Mr. Marsh said he would do whatever he can to ensure a smooth transition.*

*Committee Members individually congratulated Mr. Marsh and thanked him for his assistance to the Committee and District. They wished him well in his new position at East Side Union High School.*

## **I. Introduction of New Legislative Matter**

*None*

## J. Adjournment

*Chairperson Spearman adjourned the meeting at 7:30 P.M.*

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

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