

# Oakland Unified School District

Board of Education  
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## **Meeting Minutes Long - Final**

**Monday, December 5, 2016**

**6:00 PM**

**KDOL TV Studio, B-237, Met West High School Entrance, 314 East 10th Street,  
Oakland, CA 94606-2291**

## **Audit Committee**

***Dan Lindheim, Chair  
Gregory Redmond, Vice Chair  
Beverly Hansen, Secretary  
Members: Edward Berne, Frank Tsai***

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**A. Call to Order**

*Chairperson Dan Lindheim called the meeting to order at 6:03 P.M.*

**B. Roll Call**

Present 5 - Member Frank Tsai  
Member Edward Berne  
Secretary Beverly Hansen  
Vice Chairperson Gregory Redmond  
Chairperson Dan Lindheim

**C. Adoption of Committee Minutes**

 [16-2418](#) **Minutes - Audit Committee - October 3, 2016**

Approval by the Audit Committee of its Regular Meeting Minutes of October 3, 2016.

Attachments: [16-2418 Minutes - Audit Committee- October 3, 2016](#)

**Postponed**

**D. Speaker Request Cards/Modification(s) To Agenda**

*None.*

**E. Unfinished Business**

[16-1731](#) **Joint Meeting - Audit Committee and the Measures A, B, & J Independent Citizens' School Facilities Bond Oversight Committee (Proposed)**

A discussion by the Audit Committee proposing a joint meeting with the Measures A, B, & J Independent Citizens' School Facilities Bond Oversight Committee for the purpose of Yano and Company presenting certain Audits.

*Chairperson Lindheim said there was nothing new to report stating that he has not been able to reach Measures ABJ Committee Chair Ariel Bierbaum.*

*Board Executive Assistant Edgar Rakestraw reported that Ms. Bierbaum has resigned from the Measures ABJ Committee.*

**Discussed**



16-1757

**Internal Auditor - Function/Position**

Discussion by the Audit Committee of the function of an Internal Auditor and possible adoption of a recommendation to the Board of Education regarding said function/position.

**Attachments:** 16-1757 Internal Auditor - Function/Position

*Chairperson Lindheim said the Berkeley City Auditor made a presentation at the last Committee Meeting reviewing the various functions of the Internal Auditor position and whether that person should report to the Audit Committee or to Administration. He said one of the items in the year-end report calls on the Board of Education to hire an Internal Auditor. He said Ruth Alahydoian is leaving the District and has been replaced by a new Interim CFO, Gloria Gamblin.*

*Gloria Gamblin introduced herself; provided the Committee a summary of her prior work history noting that she had previously worked in the District, and is happy to be back working in the District. Ms Gamblin said she will remain as Interim CFO until a new CFO is hired. She said she is still in communication with Ms. Alahydoian who is on the payroll through December.*

*Committee Member Berne asked Ms. Gamblin what were her main objectives as Interim CFO?*

*Gamblin said her objectives are to direct and supervise six departments (Risk Management, Payroll, Accounting, Budgeting, Accountability and Procurement and Distribution.) She said she will support Vernon Hal, Senior Business Officer; attend Board Meetings; and attend Audit Committee Meetings when necessary to support Daniel Menyon, Controller, primary support to the Audit Committee; and certain functions of the CFO position.*

*Committee Member Tsai asked if Ms. Alahydoian has done an Exit Interview?*

*Gamblin said Ms. Alahydoian mentioned an Exit Interview, but said she was not sure if she did one.*

*Vice Chair Redmond asked Ms. Gamblin with the Superintendent and CFO leaving the District, does she have a lot of experience in maintaining effective processes and improvement processes?*

*Ms. Gamblin said "Yes, and I make changes wherever I go". She said she is about keeping it simple, effective and efficient.*

**Discussed**

[16-1741](#)**Report - District Audit - Year Ending June 30, 2016**

Presentation to the Audit Committee of Progress Report on preparation of the District's Annual Financial Report ending June 30, 2016.

**Attachments:** [16-1741 Report - District Audit - Year Ending June 30, 2016](#)  
[16-1741 Summary of Audit Findings - Audit Year 2015-16 - December 5, 2016](#)

*Daniel Menyon, Controller, referenced the Summary of Findings handout for his presentation on the Audit Report. Menyon said if all goes well, the Annual Financial Report will be submitted on time by the December 15, 2016 statutory deadline. The first draft of the report was reviewed by District staff last week.*

**Audit Findings**

*Menyon said four years ago when he took the job as Controller, there was about 55 audit findings that cost the District millions of dollars. He said in four years the District has caught up with its audits. As a result, the District recently sold some bonds with good ratings. He said there are still findings and the District wants to get the number of findings down to one or two.*

*Menyon said the items highlighted in green under Comments will go away next year. The controls were put in place, but they overlapped with the Audit Report.*

*He said of the nine audit findings, seven are repeat findings. Of those seven findings, many will go away.*

*There were two new findings – Talent Division and Payroll internal controls.*

*What Auditors found was when staff separated from the District, there was no Health Benefits Termination Form placed in their personnel folder within 30 days. The District is required to send a letter to the health care provider within 30 days of separation. In the files tested, that was not done within 30 days, which caused the finding.*

*Chairperson Lindheim asked if this meant the District paid for an extra month of health care coverage?*

*Meynon said "Yes", but it doesn't mean the person took advantage of it. The document was not put into the employees personnel folder. He said currently, a team of stakeholders from Technology Services, Talent and Financial Accounting meet regularly to discuss changes. The Auditor has been involved and happy to know the District is addressing the issue.*

**Unduplicated Pupil Account**

*The District receives Local Control Funding Formula funding (LCFF) for English Learners. When a student enrolls from another school district, they come with certain criteria status such as English Learners. The District is required to log that status into the student's attendance record. The District then must follow-up and test the student every October. If that student is now English proficient, you take them out of the English Learner status to Proficiency status so the District does not receive the additional funding. Auditors were given the names of 84 students for sample testing. The results of the testing found that four students that should have not been classified as English Learners. He said the cost is still to be determined, but the District believes the finding will be between \$6 to \$7 Thousand dollars that will have to be refunded. The District accepted the finding and put controls in place to correct. Menyon said a team from Financial Accounting, Assessment and AERIES has been formed to ensure when students are tested, the results gets logged*

into AERIES, the District's student attendance system.

Chairperson Lindheim asked if this finding will result in a change in Supplemental funding or Concentration funding?

Menyon said "Yes". He said because the District will have to refund close to \$6,000.

Committee Member Tsai asked if the number of students tested was a sample testing?

Menyon said "Yes".

Committee Member Tsai said this could be more widespread, about a five percent error rate. Tsai wanted to know if Auditors would impose a five percent adjustment and not just the four cases they found?

Menyon said testing was done and there were four cases we don't believe should have the classification of EL. He said several tests were done. Initially the number was eleven students and the final number was four students. Menyon said the District is current with its audits.

Committee Vice Chair Redmond asked how often does the District reconcile financial records versus the expected monthly reconciliation?

Menyon said in fiscal year 2013/2014 reconciliation occurred at the end of the year. In fiscal year 2014/2015 the Auditors said the District must do monthly reconciliation. The District started monthly reconciliations in late 2014/2015 fiscal year. Financial Services does want the Payroll Department to do preliminary reconciliation before it is submitted to Financial Services.

Chairperson Lindheim said Menyon previously assured the Committee Fund 76 would be taken care of this fiscal year.

Menyon said he did say that. He said some of the issues have to do with the State Teacher's Retirement System (STRS) and Public Employee Retirement System (PERS) employee/employer positions. In one account, the District makes the accruals in STRS that are sitting there, and then the District makes the payment to STRS. The reasons for not catching it was due to reconciling at the end of the year. Monthly reconciliation will catch and fix as we go.

Committee Member Berne said Mr. Hal assured the Committee several times the Associated Student Body Funds (ASB) that would not be reoccurring. He asked how many school sites are auditable as of today?

Menyon said none. He said the reason is the ASB is a District-wide issue that Financial Accounting alone cannot solve. It has to involve the Network Superintendents. He said the challenge is to determine the dollar amount of the ASB Funds District-wide. Menyon said initially the plan was to visit school sites individually. He has visited three school sites so far. Menyon said he planned to visit all 86 school sites but that would pull him away from work. The strategy is to work through the Network Superintendents to see if staff can contact the schools and get the information from them.

The type of bank account; type of program; and the type of clubs at the school is the type of information the District needs to know before putting a plan in place. He said right now the strategy is to meet with Network Superintendents and send a letter to the schools asking: "Do you have a Dad's Club? A Yearbook?" If the answer is "Yes" to any question, the school has an ASB Program.

Committee Member Berne said "So what Mr. Hal told us is wrong"? He said Mr. Hal told the Committee in June, starting in July staff would be going to the 86 school sites finding out what was there. He said now you are telling us that was never done?

Menyon said "No". Staff will work through the Network Superintendents. He said the Financial staff wants to get the process started and the most efficient way is through the Network Superintendents.

Committee Member Berne recommended a written plan. He said it seems like what we are being told is not happening

Committee Member Berne asked what was the last month Fund 76 was reconciled?

Menyon said Fund 76 is reconciled every June 30th for the fiscal year being audited. He said staff knows what's in the fund; the issue is timing, the report is issued in June. The District fixed the deficiency, but not in time to be implemented. He said the District's December reconciliation is for the month of November. Staff knows what is posted in each account. Staff thought it was reconciling, but the Auditors said no, you post adjustment entries to reflect actuality. The issue is timing, the report is issued in June to fix deficiencies. The Auditor said that was not in time for it to have been implemented.

Chairperson Lindheim asked Menyon had monthly reconciliation been done for any month in the current fiscal year?

Menyon said he believes months seven and eight were done. He will have to check with staff to be certain.

Gamblin said monthly reconciliations are taking place. She said when Auditors come to do an annual audit, they look at your last 12 months and the first 90 days in the current fiscal year. The Auditors will determine if the District did everything it was supposed to do last year and is there anything in material nature that occurred in the first three months of the new year. The Auditor wants to make sure the patterns are truly patterns.

Committee Member Tsai stated when you complete your monthly closing, you have all your reconciliations done and you have posted all your adjustment entries before you close the month. Is VTD expecting to see every month with your end close package reconciliation of Fund 76?

Menyon said that is correct. He said the problem is the District does not have a monthly closing technician. The District closes the books at the end of the year.

Lindheim asked does VTD feel that the District is now in compliance now with their expectations for Fund 76?

Menyon said he thinks they are pleased; significant improvement has been made over the last few years.

Chairperson Lindheim asked is there a District expectation there will be no findings regarding Fund 76 in the 2016/2017 Audit?

Menyon said that is the expectation. He said he doesn't want to make any promises. Staff is working on this expectation by holding regular meetings with other staff looking to each other. He said in the past two years, we have been holding monthly meetings where the Payroll Department talks to Benefits Department. He said various reports were generated to help with reconciliation. VTD attended several of these meetings and was pleased with

the progress.

Committee Member Tsai asked if there was a technical reason why the District is not doing a monthly closing?

Menyon said "No". He noted that the Payroll Department was previously staffed with 13 persons and now that number is down to 6 persons, but the work has not gone away.

Vice Chair Redmond asked is it someone's job to monthly reconcile this account? Even though it may not be in the monthly close, it is being reconciled?

Menyon said there is an accountant doing just that work. The hiccup comes when we need a copy of a check, or STRS Report and send an email to Payroll to get the report. That's where the bottleneck is. VTD wants the documentation attached to the reconciliation. If it is not, it will be a finding.

Committee Secretary Hansen commenting on Finding #9 – Said she is unsure every expenditure charged to the grant would be appropriate if there were no plan.

Menyon said expenditures were appropriate, it's the way the grant was written. The District did not apply for the grant. Every school district that filed certificated staffing reports received this grant. The District received the funds and decided to spend in the appropriate way.

Committee Secretary Hansen asked what was the appropriate way?

Menyon said teacher salaries and supplies were charged correctly, but did not have a Board of Education plan in place.

Chairperson Lindheim asked had the Board formally accepted the grant?

Menyon, "Yes", the County Office of Education called each school District to inform them of the money and the draw down.

Committee Secretary Hansen asked if the grant came with spending guidelines?

Menyon said the plan was not presented to the Board for approval. The money was reclassified into the General Fund for this year. The District disagreed that this should have been an audit finding.

Chairperson Lindheim said to Menyon "you raised the issue of the Payroll staff having been reduced to half of what it used to be." He asked if there is a staffing shortage throughout Financial Services?

Menyon said there are a lot of constraints on the budget.

Vice Chair Redmond said that as the audit results improve in the processes, the risk in other process become higher.

Committee Member Berne asked if VTD will change as the main partner after three years?

Gamblin said not necessarily.

Committee Member Berne said he thinks its standard practice

Gamblin said the only time she has recommended a change is when the company was not up to par.



**Discussed****F. New Business****[16-2581](#)****Audit Committee - 2016 Annual Report to the Board of Education and the Public - Dan Lindheim, Chairperson**

Adoption by the Audit Committee of its 2016 Annual Report to the Board of Education and to the Public.

**Attachments:** [16-2581 Audit Committee - 2016 Annual Report to the Board of Education and the Public - Dan Lindheim, Chairperson](#)

*Committee Report June 30th*

*Chairperson Lindheim said his concern is regarding comments and recommendations to the Board. Chairperson Lindheim read into the record the following:*

*Committee Comments and Recommendations to the Board of Education*

*1. The District completed three audits during 2016:*

*2013-14 completed in January*

*2014-15 completed in June, and*

*2015-16 to be completed in December.*

*As a result, the District is "caught up" and in step with other California school districts. In addition, the number, magnitude and penalties / costs of the findings are reduced from prior years. As indicated in the prior report, "Responding to both audit and current financial accounting responsibilities has placed great stress on OUSD staff. Until audits have been fully caught up, the Committee has been reluctant to add additional items to the staff workload. As the staff audit workload decreases, the Committee expects to analyze District procedures in greater detail." Now that the District is up-to-date, the Committee intends to give greater attention to analyzing District procedures.*

*2. As indicated in our letter of November 1, 2016, it is now especially important to recruit for and fill the position of Internal Auditor. Completing three audits in this calendar year has provided substantial outside focus on District recordkeeping and procedures. Now that external attention may be lessened, it is critical that the District itself increase its focus on improving its internal procedures and on compliance with State and federal requirements. Having an Internal auditor in place will substantially facilitate this effort.*

*Chairperson Lindheim asked if Committee Members were happy with the statement or would like to add to it?*

*Vice Chair Redmond said in light of the recent changes with the Superintendent and CFO leaving the District, the Committee encourages the Board to ensure that the process focus of the last few years continues*

*Chairperson Lindheim said he will draft a letter and send it to the Board*

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

[16-2578](#)

**Public Comments on All Non-Agenda Items Within the Subject Matter  
Jurisdiction of the Audit Committee - December 5, 2017**

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the  
Audit Committee - December 5, 2016.

*Public Comments  
Board Member Shanthi Gonzales*

**Presentation/Acknowledgment Made**

**H. Introduction of New Legislative Matter**

*None.*

**I. Adjournment**

*Chairperson Lindheim adjourned the meeting at 7:05 P.M.*

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

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