

Oakland Unified School District

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Meeting Minutes Long - Final

Monday, June 1, 2015

6:15 PM

Special Meeting

**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, Rose Sutton

A. Call to Order

Chairperson Dan Lindheim called the meeting to order at 6:15 P.M.

B. Roll Call

Present 4 - Member Rose Sutton
Secretary Beverly Hansen
Vice Chairperson Gregory Redmond
Chairperson Dan Lindheim

C. New Business**[15-0703](#)****District Audit Findings - Responses Fiscal Year 2010-11 and Fiscal Year 2011-12**

Presentation to the Audit Committee of the status of the prior year Audit Findings and District responses for Fiscal Year 2010-2011 and Fiscal Year 2011-2012.

District Staff in attendance: Vernon Hal, Senior Business Officer, Ruth Alahydoian, Chief Financial Officer and Daniel Menyon, Controller

Ruth Alahydoian made the staff presentation

Audit Findings prior years

2010/11 and 2011/12 – The California Department of Education cleared the District of two Federal findings from prior year's audit - Audit Finding #1205 and #1206.

2010/11 and 2011/12 - Audit findings with the Education Appeal Panel are still being negotiated with no final sign off from all parties.

Discussed

15-0704**District Audit - In Progress - Fiscal Year 2013-2014**

Presentation to the Audit Committee of a Report on District Audit - In Progress - Fiscal Year 2013-2014.

Ruth Alahydoian made the staff presentation.

2012/13 audit is currently in progress. Leonard Dana from Varinek, Trine, Day & Co., LLP, Certified Public Accountants, the auditing firm hired by the District to perform its audits provided the committee with an update on the auditing process.

Mr. Dana reported that the District is performing financial and compliance audits. The State Controller's office is not involved in the auditing process, but required to review the audit. Arrangements will be made for the State Controller to receive the Audit Report and provide a Quality Control Report.

Audit Process

- Ninety percent complete with the field work for the financial audit*
- ERATE Program has one open issue that will be resolved on Wednesday regarding a receivable for credits the District gets from AT&T as a result of the program. There are questions over what the accrual was in 2013. Once straightened out, it will not be an issue going forward.*

Issue

Financial Audit – The numbers are essentially complete, but there is some issue with reconciling the fund balance going from year to year. That will be an issue until the District is caught up with its audits.

Fund 76, Payroll Revolving Fund – Reconciliation complete as of the end of the year for the last two years. The District's consultant performs a complete reconciliation and VTD audits the reconciliation. The results were close to what VTD expected and they signed off on the reconciliation.

The financial audit process will start with drafting the financial statements this week. Mr. Dana said when the final report is issued, there will be findings, primarily State and Federal compliance issues. Not all Federal Programs are audited, only what is required. The findings are noted as well as the severity. The two big areas of concern are Time Accounting and Student Attendance. Ongoing meetings occur every Wednesday to see if progress has been made to mediate the findings.

Committee Member Burne wanted to know if the District is on schedule to be current with its audits by the end of calendar year 2015?

Mr. Dana said the audits will be completed by the end of calendar year 2016. The plan is to issue the 2012/13 audit by June 30, 2015; the 2013/14 audit by December 2015; and the 2014/15 audit by June 2016.

Ms. Alahydoian said if the 2013/14 audit is completed before December 15th, the audits will be up to date. If completed after December 15th, the audits will be behind.

Committee Member Burne wanted to know when will the 2014/15 audit be completed?

Ms. Alahydoian said around this time next year. For the fiscal year ending June 2016, the goal is to have that audit completed in calendar year 2016.

Committee Member Hansen wanted to know how were the ERATE funds distributed

equitably to each school site?

Daniel Menyon said the bills are paid centrally so it is difficult to apply by school site.

Vernon Hal added that the District spends money to do certain things at schools to get them up and running.

ERATE Reimbursements

The District is reimbursed for the telephone bills.

Expenditures

The government pays about 80 percent of what the District spends on infrastructure. This includes the Facility Department and the Information Technology Department trying to bundle schools together to maximize the reimbursement. The higher free and reduced lunch count, the higher the reimbursement. Measure J funds are used for those schools who do not qualify for ERATE to make sure they have wi-fi and internet connections and wireless connections. Mr. Hal said staff can follow-up with additional information at a future meeting.

Time Accounting

When a person is hired and the funding source is multi-funded, a combination of Human Resources staff and school site staff does the coding.

Vernon Hal provided Committee Members with an explanation of Time Accounting.

Mr. Hal said with Federal Funds, school sites submits a site plan working with their school committee on how they want to spend those funds. Schools receive allocations and certain personnel may be charged to the allocation, i.e., an extra teacher to lower the class size, reading specialist, etc. Those resources will be used to charge the salary for that person out of those funds. Schools decide how they want to spend and who they want charged to those funds.

Time Accounting – Federal Requirement

The school leader identifies the person to be paid out of those funds and is responsible for working with the person to make sure they keep track of their time accounting for the restricted funds. If multi-funded, the person charged to the funds must submit a monthly time sheet. If 100% from one resource, then the time sheets are submitted twice yearly. The State and Federal Department keeps track of the time sheets and submits the information to the auditors that supports the spending those funds.

Daniel Menyon added that one of the documents reviewed by the auditors is the Employee Action Form in Human Resources to verify that person is paid out of the various programs and then track by the time sheet to validate the accuracy.

Committee Member Rose Sutton wanted to know if the new financial reporting of pensions will be applied to the District.

Mr. Dana

Said it does.

How is the District preparing for the changes?

The implementation is effective 2014/15 fiscal year. A lot of issues pertaining to how PERS and STIRS will provide the information needed.

Discussed

[15-1174](#)**Third Interim Financial Report - Fiscal Year 2014-2015**

Presentation to the Audit Committee of the Third Interim Financial Report for Fiscal Year 2014-2015, approved by Board of Education on May 27, 2015, and certified to the Alameda County Superintendent of Schools as "Qualified."

Attachments: [15-1174 Executive Summary - Third Interim Financial Report - Fiscal Year 2014-2015](#)
[15-1174 Presentation - Third Interim Financial Report - Fiscal Year 2014-2015](#)
[15-1174 State Account Code \(SAC\) Third Interim Financial Report - Fiscal Year 2014-2015](#)

Ruth Alahydoian made the staff presentation

3rd Interim Report - (As of April 30, 2015)

Findings cleared by the State

1. *Private school funding and service requirements*
2. *Title I comparability requirements*

Executive Summary

- *District is projected to meet its 2 percent reserve for economic uncertainty.*
 - *District will self-qualify the 3rd Interim Report as a "Qualified" Certification*
- Positive means you will meet all your obligations for the current year and two future years*
Qualified means you think you will but there is a question
Negative means you are sure you will meet your obligation

The District used "qualified" because of the late audits. As a result of the late audits, you don't know the financial implications of the findings. In the past those findings have been in the millions. By submitting a "Qualified" Certification, the District is required to submit a 3rd Interim Report.

The First Interim Report was as of October 30, 2014 submitted in mid-December.

The Second Interim Report was as of January 30, 2015 submitted in mid-March.

If either of the above is submitted as "Qualified", a Third Interim Report is required.

Ms. Alahydoian said the expectation is with the completion of the 2011/12 audit the District is closer. The District can start to set aside dollars in reserves for audit findings supporting the argument for not submitting a Third Interim Report going forward and self-qualify as "Positive". She said the District is a few audits away from that.

Committee Member Berne wanted to know who makes the judgment as to "Positive" or "Qualified"?

Staff makes the initial certification and the Alameda County Office of Education upon review of District documents can say they agree or don't agree.

Executive Summary Continued

- *Cash – Districts have been closely monitoring their cash because for the last several years the State has deferred a lot of their payments to school districts. They defer during the year and from the year end into the following fiscal year. The County Office of Education ask district's to closely monitor as well.*
- *Revenues – Scheduled to increase by .8 million due to an increase in per pupil funding.*
- *Expenditures – Expected to increase by .9 million due to a 1 million increase in the District's contribution to its Programs for Exceptional Children.*

Revenues – \$330 million

Expenditures - \$323.6 million (\$7 million positive net change)

Beginning Fund Balance - \$21 million – (\$14 million plus \$7 million positive net change)

Discussed

D. Adjournment

Chairperson Lindheim adjourned the meeting at 7:25 P.M.

Prepared By: _____

Approved By: _____