

# Oakland Unified School District

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

**Monday, November 7, 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 6:00 P.M.*

## B. Roll Call

**Present** 3 - Member Frank Tsai  
Vice Chairperson Gregory Redmond  
Chairperson Dan Lindheim  
**Absent** 2 - Member Edward Berne  
Secretary Beverly Hansen

## 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 to a Date Certain**

## 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 he had nothing new to report.*

**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 reported to the committee that he recently sent a letter to the Board of Education calling their attention to the Board Policy that says the District should have an Internal Auditor position. He said that he had not received a response back from the*

*Board. Copies of the letter will be sent to Committee Members.*

*Anne-Marie Hogan, City Auditor from the City of Berkeley, was invited to make a presentation at today's committee meeting.*

*Ms. Hogan referenced a handout from the City of Berkeley Auditor's Office to make her presentation.*

*Topics included:*

- What's in a Name? What's the difference? How can we conduct oversight?*
- Key elements of effective audit functions*
- Audit Committee skills*
- Audit Committee oversight responsibilities*

*1. Internal auditors are not independent of management, according to the U.S. Comptroller General's (GAO) Generally Accepted Government Auditing Standards (GAS); Audit Director or Performance Audit Director or OUSD Audit Director is preferable as a title.*

*2. School district auditors should be required to follow Government Auditing Standards for performance audits, not internal auditing standards.*

*3. Financial Statement Auditors have accounting training. The Performance Auditor's background is more diverse (public policy; economics; and social sciences).*

*4. Audit Committees are preferably composed of experts in auditing as well as a member of the governing body. They can exercise oversight over the quality of auditing services from the Audit Director as well as the commercial accounting firm conducting the annual financial statement compliance audit. Materials are on line from the Association of Local Government Auditors (ALGA) can help you do this.*

*Responses to some questions*

*1. The role of an independent performance auditor (should not be called internal auditor) is to examine and report on how well management handles their responsibility for maintaining effective internal controls, and to recommend how management can improve their oversight (procedures; monitoring activities such as checking for state and federal compliance; monitoring attendance collection; checking on student body accounts, etc.).*

*2. The importance of not having the auditor do the work - the auditor writes reports following Government Auditing Standards.*

*3. The auditor should never report to the Finance Director or Superintendent, preferably to a designed Audit Committee.*

*5. Expectations and constraints for a one-person shop: Incomplete coverage and difficulty with requirement for second auditor to review work before it's published*

*6. Have controls in place to avoid conflicts of interest.*

*7. A mechanism for anonymously reporting wrong doing.*

*Summary*

- Good idea to have a discussion with the Board to ensure the Committee is structured as it should be.*
- Determine if the function of the Internal Auditor is as it should be.*
- Duties assigned to the Internal Auditor should be performed by the Finance Department.*

- *The role of the auditor is to give opinions and advice about whether management is putting into place the internal controls needed.*
- *Internal Auditors should not go to school sites performing cash counts; they should be independent providing reports to the Finance Department or management regarding what kinds of performance measures are in place and issuing written reports to standards.*

#### *Qualities of the Internal Auditor*

*The Internal Auditor should be responsible, discrete, ethical, and provide fairness to everyone.*

#### *Audit Committee Support*

1. *What kind of salary should the person receive?*
2. *The person needs to engage equally with other department heads.*

#### *Whistleblower Hotline*

*Most complaints received are some kind of personnel issue; supervisor/employee disagreement about not getting a promotion or not being treated fairly.*

#### *Questions*

*Committee Member Tsai asked how do governments subject to the open meeting law do an investigation if there is some claim of fraud.*

*Ms. Hogan said the Committee would go into Closed Session to discuss.*

*Ms. Hogan suggested the Committee can look at its structure; who's on the Audit Committee; skills and talent; what kinds of skills and talent each may need to develop personally; and perhaps a Board Member on the Committee. The Committee may want get itself in position to exercise proper oversight. Perhaps contracting with an outside agency to perform a risk assessment of what should be audited or contracts.*

#### **Discussed**

### [16-2033](#)

#### **Report - Per Pupil Funding by School Site - Audit Committee**

A Report to the Audit Committee by the Chief Financial Officer on the District's per pupil funding by school site.

**Attachments:** [16-2033 Report - Per Pupil Funding by School Site - Audit Committee](#)

*Ruth Alahydoian made the staff presentation.*

*Ms. Alahydoian said enrollment looked at the projections for the 2016/17 school year and the final count for the 2015/16 school year (the 20th day of the school year). The count changes throughout the year as reflected in the average daily attendance. The 20th day count for this school year is lower than last year and adjustments were made.*

*Some schools lost funds and some gained funds with most schools gaining in terms of total dollars allocated.*

*Chairperson Lindheim said the request for this report was made based on an article which indicated some schools were better resourced than other schools. Much of it was based on PTA contributions to the schools and non-District funding. Chairperson Lindheim said that will not be captured in this report because the District does not keep track of PTA contributions to schools.*

Ms. Alahydoian said PTA's can have their own bank accounts and that would not be reflected in today's report. Some PTA's fund positions that are District positions. A donation will be made to the school and that is reflected in the budget so that an employee becomes a District employee.

Chairperson Lindheim noted there are substantial differences of funding at school sites and wanted to know if there were an explanation?

Ms. Alahydoian said some schools showed negative numbers and that information has changed, but it was accurate at the time of budget development. Possible causes: A position that should have been carried over in the budget or one that should have not been carried over. Additional support was provided for struggling schools that applies for assistance.

#### 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](#)

Ruth Alahydoian made the staff presentation

Ms. Alahydoian said the 2015/16 Audit is on schedule to be completed on time. State regulations require that the audit be submitted to the State Controller by December 15, 2016 and provided to the Board by January 30, 2017. She said staff are confident the Audit report will be submitted to the State by December 15th but not comfortable with presenting it to the Board before December 15th. The report will be previewed by the Audit Committee first and then presented to the Board.

Chairperson Lindheim asked if the Audit report will be presented to the Audit Committee at its first meeting in January?

Ms. Alahydoian said when the Audit report is submitted to the State, the report will be provided to the Audit Committee at its January committee meeting for review with the auditors and the Board presents the report at a public meeting.

#### Audit Findings

9 findings are likely to be repeated from previous year.

4 findings are likely to go away.

No indication yet of any new findings.

Finding #3 - Internal Controls (Delay) – When someone leaves the District, the information does not carry through to the necessary offices.

Finding #5 - Highly Qualified Teachers & Paraprofessionals. This is a State and Federal Audit Finding and not a financial finding. The District Has not met the standards the State would like to the District to meet.

Finding #8 - Unduplicated EL Pupils - District classified 4 students as EL that are not eligible for such designation. Repeat Finding - The District needs improvements in testing and updating EL pupils in AERIES system

*Finding #11 – School Accountability Report Cards posted annually. Information from the Facilities information did not match the year of the report. This has been corrected*

*Finding #12 – LCFF Funding is based on low income, English Learners and Foster Youth students. This information comes from several sources and reported to CalPads. When the Auditor looks at the information, it is looking at a particular point in time. This is usually a timing issue - students are reclassified and the reclassification is not reported until a different time.*

*Chairperson Lindheim noted that the 2015/16 fiscal year ended several months ago and should be audited as it is being audited now and done by December 15th. He noted this will be the first time in recent history this has happened and congratulated the Fiscal Staff for their efforts.*

**Discussed**

**F. New Business**

*None.*

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

**16-2419 Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - November 7, 2016**

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - November 7, 2016.

*None.*

**H. Introduction of New Legislative Matter**

*None.*

**I. Adjournment**

*Chairperson Lindheim adjourned the meeting at 7:28 P.M.*

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

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