

Oakland Unified School District

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Meeting Minutes Long - Final

Monday, May 2, 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

A. Call to Order

Chairperson Dan Lindheim called the meeting to order at 6:00 P.M.

B. Roll Call

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

C. Speaker Request Cards/Modification(s) To Agenda

None.

D. Adoption of Committee Minutes

[16-0978](#)

Minutes - Audit Committee - Regular Meeting - April 4, 2016

Approval by the Audit Committee of its Regular Meeting Minutes of April 4, 2016.

Attachments: [16-0978 Minutes - Audit Committee - Regular Meeting - April 4, 2016](#)

A motion was made by Member Berne, seconded by Secretary Hansen, that the April 4, 2016 Regular Meeting Minutes of the Committee be Adopted.

Aye: 3 - Member Edward Berne
Secretary Beverly Hansen
Chairperson Dan Lindheim

Abstained: 2 - Member Frank Tsai
Vice Chairperson Gregory Redmond

Non-voting: 0

Enactment No: 16-0621

E. Unfinished Business

16-0529**District Audit - In Progress - Fiscal Year 2014-2015**

Presentation to the Audit Committee of a Report on District Audit - In Progress - Fiscal Year 2014-2015.

Staff presentation by Vernon Hal, Senior Business Officer and Daniel Menyon, Controller. Leonard Dano, VTD Auditors.

Leonard Dano updated the Committee on the progress of the 2014/2015 Audit.

The financial items remaining open are the ERATE receivables and Fund 76. Dano said no significant changes are expected. Once both items are cleared up, a draft Audit Report will be issued to the Board within the next 30 days with the intention of having the final Audit Report released by June 15, 2016.

The District is still awaiting the results of the State Controller's Office review of VTD's 2013/2014 District Audit and noted that Office is two years behind with District audits. Dano said he is not holding anything up pending those reviews, and doesn't believe there is anything of any significance. The State, however, could come back with something and Auditor will deal with it at the time, said Dano.

The plan is to have the 2014/2015 Audit complete by June 15th and the work of the 2015/2016 work will begin in October.

Committee Member Berne asked about the status of the request that all schools submit information regarding the status of their Associated Student Body Funds (ASB) by April 15th.

Daniel Menyon said the Financial Services Department received responses from 11 schools out of 86 schools. Staff will follow-up with the school sites that did not respond taking a hands-on approach to the ASB Funds.

Chairperson Lindheim asked if most of the ASB accounts were at middle and high schools?

Menyon said there are 10-15 high schools that have ASB programs with elementary schools having unorganized ASB programs that the District wants to track. For the 86 school sites, Menyon said he estimates about 20-25, mostly high schools, have some type of student body activity.

Committee Member Berne asked if the Financial Services Department is confident it will have auditable data from each school site beginning next month?

Menyon said the auditable data comes from the 2016/2017 school year. Data collected during 2015/2016 will be used for training purposes. Staff plans to provide training during 2015/2016 school year making sure the data is in order for 2016/2017 and start monthly monitoring of ASB Funds.

Target - In 2016/2017 all ASB will be ready to Audit

Menyon said the finding for not reporting the ASB Funds will go away; but when the auditors start testing ASB Funds, there is no guarantee there will not be audit findings.

Chairperson Lindheim noted a clean Audit does not mean you have a financially viable District and because you don't have a clean Audit doesn't mean you are not financially viable.

Committee Member Tsai asked if there is a plan to trace the in and out activity of cash in the 2016/2017 ASB Funds?

Dano said that will be part of the testing.

Discussed



16-0718

Report - Procurement Department - Procedures and Controls

Presentation by Director of Procurement or designee regarding the District's Procurement procedures and controls.

Attachments: [16-0718 Report - Procurement Department - Procedures and Controls](#)
[16-0718 Staff Written Response to Committee's Procurement Questions - 4/4/16](#)

Staff presentation by Ruth Alahydoian, Chief Financial Officer.

Ruth Alahydoian distributed answers to the following question raised at the April Committee Meeting.

Why isn't OUSD a member of a buying group or consortium?

The number of active vendors is as high, or higher, than the number of annual purchase orders.

Prices are said to be reviewed on an annual basis. In many cases this is not the best practice.

Please give serious consideration to hiring an outside consultant to do a study of OUSD purchasing department practices.

The Committee was informed that the District gets credit for purchases by others under its contracts. Does this translate to lowering cost of materials.

Comments from Committee Members.

Committee Member Berne said he hopes the District does follow-up on hiring a consultant.

Committee Member Redmond spoke about the number of active vendors are higher than the number of annual purchase orders and asked if the activities of employees will be divided out from the vendors to have a better picture

Ruth Alayhdoian said it was possible.

Committee Member Tsai asked about seal bids and when are are used?

Ruth Alahydoian said mainly for construction contracts, but other contracts are competitively bided.

Discussed

F. New Business



[16-0975](#)

Report - Measure G Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2015

Presentation to the Audit Committee of the Measure G Audit for the Fiscal Year Ending June 2015 by Vavrinek, Trine, Day & Co., LLP (“VTD”).

Attachments: [16-0975 Measure G Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2015](#)

Presentation by Leonard Dano, VTD Auditors

Dano said the Audit Report validates the District’s assertion of the Parcel Tax Language that a certain amount of money is taken in and spent on certain things. The allowed areas under the Parcel Tax is what the Auditors tested. The biggest area is basic school support.

The audit includes reviewing the wage and tax receipts for the teachers; a District report indicating the FTE, salary, and how it should be allocated. That report is matched against the parcel tax summary to ensure that information is correct.

The Auditors tested the assertion and it is the opinion that management’s assertion is validated.

Discussed

[16-0976](#)

Measures B & J Financial and Performance Audit - Yano Accountancy Corporation - Fiscal Year Ending June 2015

Presentation to the Audit Committee of the Measures B & J Financial and Performance Audit Report for the Fiscal Year Ending June 2015 by Yano Accountancy Corporation.

Attachments: [16-0976 Measures B & J 2015 Audit 260 Letter.pdf](#)
[16-0976 Measures B & J 2015 Financial and Performance Audit - Yano Accountancy Corporation - Fiscal Year Ending June 2015](#)

*Presentation by Eugene Yano, Yano Accounting.
Staff comments by Daniel Menyon.*

The District spent over \$53 million during the past fiscal year using Measures B & J Bond Funds.

Eugene Yano reviewed the financial Audit for Measures B & J revenues and expenditures for the year ending June 2015. The purpose of the Audit is to make sure bond funds were spent on projects identified in the Bond Legislation.

Yano began the presentation reviewing past audit findings.

In the past contractors were not being paid within 30 days. In 2010 some processing periods were around 270 days. In 2013 there were problems up to December 2013. During the first six months of 2014 there was a finding with compliance issues. During the last six months of 2014 and all of fiscal year 2015, there were no compliance issues.

Chairperson Lindheim asked the Auditor what did he attribute this turn around to?

Yano said he credits Daniel Menyon and Vernon Hal.

Menyon said the turnaround was due to controls put into place by the Financial Services Department. He said a commitment was made to the Measures AB&J Bond Oversight Committee and the District that the problem of late invoice payments would be fixed. The position of Program Accounting Manager was created and placed in the Facilities Department reporting directly to Vernon Hal.

Hal said after talking to Project Managers about the issue of late payment of invoices, it was determined that contractors were submitting invoices for payment without the supporting documentation. Payments were made without restarting the 30-day clock.

California law requires a financial and performance Audit in accordance with Governmental Auditing standards.

Audit Results

The Auditor expressed an Unmodified Opinion. The results of the internal controls Compliance Audit did not identify any material weaknesses or any significant deficiencies. Yano said this does not mean they did or did not exist. A company can have a weakness with zero impact on the financial statement. There were no Audit adjustments this year. Last year there were material adjustments to the beginning balance.

Discussed

[16-0977](#)**Report - District's 2016-2017 Budget Development Process - Chief Financial Officer**

Presentation to the Audit Committee by the Chief Financial Officer or Designee of the District's 2016-2017 Budget Development Process.

*Staff presentation by Ruth Alahydoian.
Follow-up by Vernon Hal.*

Ruth Alahydoian reported the District's 2016/2017 budget is in progress. The process started in September 2015 with priorities set by the Board and Executive Cabinet. The Superintendent set the vision and direction for staff ensuring as much resources as possible were directed to schools in services and support of schools. Cuts were made centrally that will be implemented next school year. Any additional funds will go to school sites as well. At the May 11th Board Meeting there will be a budget workshop reviewing the budget and expenditures. Additional funds are anticipated through the LCFF process with 65% of all new funds committed to employee groups for salary increases and one time bonuses.

Anticipated Changes in Financial Services for Fiscal Year 2016/2017

- Elimination of the Internal Auditor's position.*
- Audit cost should go down because the State Controller's Audit is no longer there.*
- There is an Audit Consultant that will remain for a while, not to the extent in the past due to the reduced number of audits.*

Comments from Committee Members

Committee Member Tsai said he thinks for an organization this size, the District could be asking for trouble by not having the Internal Auditor's position.

Committee Member Berne said he agrees with Committee Member Tsai's comment.

Committee Member Hansen asked for more details on why the decision was made.

Ruth Alahydoian said Central Office was asked to look closely at their budgets and come up with recommendations for cuts. This position was identified by the Financial Services Department.

Committee Member Redmond asked if there will be other persons monitoring the attendance process and functions normally performed by the Internal Auditor?

Alahydoian said there is staff that will oversee the attendance accounting process. There is still staff that does accounting functions, accountability work, and the external auditor. The District will be down to one audit next year so staff who had been assigned to that work can now make sure reconciliations are done.

Vernon Hal said the person in the position did not get a chance to do the work of the Internal Auditor, it was mostly supplemental accounting work. The plan is to transition some of that work to other accountants in the department. The District is increasing the number of Network Offices supporting school sites from five to seven and two additional positions will be added in the Budget Office in support of that work.

Committee Member Redmond asked if some analysis had been done on the cost effectiveness of having an internal auditor doing some of the assurance work versus an outside agency?

Hal said there was not work being done by the Internal Auditor that the External Auditor relied upon to reduce the amount of testing. The Internal Audit person gave assurances to the External Auditors about the reconciliation work done. The person was never able to do that kind of work because the job was pretty much accounting work.

Committee Member Hansen said if the Auditor was not doing the job, perhaps that is why there were audit findings.

Hal said it was about making choices between the position and getting more resources to the school sites.

Committee Member Hansen said schools need lots of help, but does not want to see the District on the front page of the newspaper as in the past because of the great work that has taken place.

Chairperson Lindheim said the person currently in the position worked on all the audits and made sure the District had balances from year to year. Now that the process is over, that function is no longer necessary. Lindheim said he understands why the person in the position is no longer necessary and those functions can be transferred to the Accounting Department. The challenge is how to create internal audit functions whether it is called that or not and to make sure all the processes are being monitored and checked. Lindheim noted Committee Members have expressed their concern that the function of an internal auditor is critical to the District and asked Mr. Hal to express the Committee's concern to staff.

Chairperson Lindheim noted that he made a presentation to the Board on the Committee's workplan for the year. He said the Board thanked the Committee for their hard work and diligence.

Discussed

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

16-0979

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - May 2, 2016.

There were not Public Comments.

School Board Director Shanthi Gonzales, Board Liason to the Audit Committee, commented on the elimination of the Internal Auditor position discussed by Ruth Alahydoian during her presentation on the District's 2016-2017 Budget Development. Gonzales said she heard the Committee's concerns raised today about the Internal Auditor function and will be talking to her Board colleagues. Gonzales said she did not know this position was being cut for the 2016/0127 fiscal year. Said it is of particular concern because the Internal Auditor is suppose to be the liason to the Board from the Finance staff. Gonzales said she would follow-up with Chairperson Lindheim regarding the matter.

H. Introduction of New Legislative Matter

Committee Member Berne requested the Committee discuss the topic of Whistle Blower Protection at the June Committee Meeting.

*Staff follow-up for next Committee Meeting:
Update on Teacher online attendance procedures.*



[16-1000](#)

Report - District's Whistle Blower Protection or Fraud Hotline - Chief Financial Officer

A presentation to the Audit Committee by the Chief Financial Officer, or designee, regarding the District's Whistle Blower Protection for employees or Fraud Hotline.

Attachments: [16-1000 Report - District's Whistle Blower Protection or Fraud Hotline - Chief Financial Officer](#)

I. Adjournment

Chairperson Lindheim adjourned the meeting at 7:35 P.M.

Prepared By: _____

Approved By: _____