



**BOARD OF EDUCATION  
SAN DIEGO UNIFIED SCHOOL DISTRICT**

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Member

**AUDIT AND FINANCE COMMITTEE**  
Education Center Conference Room 2249  
April 22, 2005  
MINUTES

Members Present: Wright, Jackson, Stein, Nakamura

Members Absent: McAllister

Staff Present: Patterson, Phillpott, Maracle-Sweeney, Leighton,

Others Present: Jarrold

1. Meeting called to order	Vice-chair Wright called the meeting to order at 2:10 p.m.
2. Approval of April 14, 2005 minutes	Motion to approve by Nakamura, seconded by Stein, approved unanimously.
3. Amendment to Auditing Firm Contract	<p>Patterson recommended that the committee approve an amendment to the original contract with VLS for an additional \$65,652.50 for additional time/service provided. Twenty percent of the overage was due to additional requests of VLS by the district for Title I, SERP, Attendance Accounting, etc. Another factor was the size and complexity of the district, which VLS had not anticipated. Of the 900 additional hours spent, the firm agreed only to bill the district for 400 hours of time and they would credit to the district 16 hours for future consulting services related to helping get state certification of the pupil attendance accounting system. The district is also exploring a paperless certification of pupil attendance system.</p> <p>Additionally, the district is requesting an amendment to the contract to allow for an additional \$30,000 per year for the next two years for professional consulting services.</p> <p>Discussion ensued regarding how fees charged by VLS compared to other auditing firms. VLS estimated fees of \$195,000 for the 2003-04 audit, whereas Vavrinek's baseline was around \$210,000-215,000. There was a</p>

	<p>question about whether it was a conflict of interest for the auditing firm to also serve as consultants to the district. It was stated that this is a common practice in the industry. Auditors typically review financial statements, report recommendations and serve as consultants on how to improve the system that is in place. Patterson indicated that he would like to bring this amendment before the Board at the May 10, 2005 meeting for approval.</p> <p>Motion by Jackson/second by Stein to amend the contract for an additional \$65,652.50. AYES 4-0</p> <p>Motion by Wright/second by Stein to amend the contract with VLS and approve \$30,000 during each of the next two years for future audit/consultant services with specific emphasis on the electronic attendance and journal voucher issues. AYES 4-0</p>
4. Audit Report Recommendations	<p>The committee discussed the findings of the auditing firm. Many issues were discussed including school attendance, accounts payable processes, food service inventory, cash receipts and reconciliations. The committee determined that banding findings into high/medium/low priorities, implementing a tracking process and establishing deadlines should be the first step to take. Concerns about the development of a billion dollar budget on spreadsheets was discussed and the need for appropriate software to be developed. The committee touched on class-size reduction, a checklist for the Child Development Office, semi-annual certification and open purchase orders.</p> <p>Following these discussions Nakamura moved/Jackson seconded to approve the audit with McAllister submitting report to the Board for approval on April 26, 2005. (AYES 4-0)</p> <p>This would include the following recommendations for implementation:</p> <p><b>04-01 – Antifraud Program:</b> The committee recommends that the Board</p>

specifically commit to developing an organization-wide "code of ethics" and incorporate employee training and anonymous fraud reporting processes.

**04-09 – General Fund Reserve and Cash Flow:**

The committee continues to strongly urge the Board to commit to a minimum 2% budget reserve level. The committee understands the financial impact of declining enrollment and decreases in state and federal revenues, but remains concerned about cash flow and level of cash balances.

**04-14 – Adult Education Deficit Spending and Accounting Issues:**

The committee is concerned that deficit spending does not continue to occur within the Adult Education program and that there is no encroachment on the General Fund. The Management Response does not answer what is going to be done about the problem.

**04-15 – Internal Controls/Payroll:**

The Management Response needs to make a clear statement that all legal requirements are being met and that this is a high priority.

**04-16 – Revenue Limit:**

The timeline for implementing this recommendation needs to be made clear.

**04-19 – Internal Controls/ASB Accounts:**

This finding was also reported in the 2002-03 audit and needs to be addressed immediately. The committee recommended last year that the district consider consolidating the ASB accounts under one banking institution. The committee *strongly urges* the Board to direct staff to prepare a proposal for implementing this recommendation as soon as possible.

**04-20 – Finding Internal Control/Disaster Recovery and Business Continuity Implementations:**

The committee believes that there must be business continuity in the event of a disaster.

	<p>Staff should make every effort to ensure that the district could continue operations should the Education Center be lost as a processing site.</p> <p><b>04-22 – Self Insurance/Workers’ Compensation:</b> The committee recommends the Board fund the deficiency in the Self-Insured Workers’ Compensation Fund in order to liquidate the un-funded liability by 2008-09.</p> <p><b>04-23 – National School Lunch Program Compliance:</b> The committee recommends that Internal Audit include monitoring National School Lunch Program certification and eligibility lists to ensure immediate compliance.</p>
Next Meeting Date	TBD
Adjournment	3:35 p.m.