



Board of Education

San Diego Unified School District

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AUDIT AND FINANCE COMMITTEE
Education Center Conference Room 2226
March 23, 2007
MINUTES

Members Present: McAllister, Stein, Jackson, Wright

Members Absent: Nakamura

Staff Present: Lee, Kowba, Leighton, Buckley, Niehaus, Phillipott, Duran, McRobbie

Public Present: David Paige

Meeting called to order	Chair McAllister called the meeting to order at 2:05 p.m.
Public Comment	School Site Council (SSC) member, David Paige attended meeting to discuss concerns with the mishandling of Title I funds at certain school sites. Incidents at Madison and Morse High School were mentioned specifically. Buckley advised he would look into it.
1. Approval of December 8, 2006 minutes	Motion to approve minutes by Stein, seconded by McAllister, approved unanimously.
2. 2006-2007 Audit Adjustment of \$2.8M (Kowba/Leighton)	Kowba advised in January 2007 corrective action was taken to write-off \$2.765M of un-reconciled items caused by the way the County Treasurer's office recorded our voided warrants and the way we process salary overpayments. As a preventative measure a few processes were changed to tighten up these issues. Leighton advised the items were recognized as revenue and some were repaid by the employees who received the overpayments. The District will continue to pursue the remaining balance and record at revenue as the re-payments are made.
3. Statement of Accounting Standards (SAS) No. 112 (Kowba/Leighton)	Kowba explained the impact of SAS 112. Now the auditors must focus on what could go wrong in addition to what did go wrong. All findings must be reported even if resolved before the audit.
4. Internal Audit Summaries (Niehaus)	Niehaus described the audit summaries for the period February 1, 2006 through June 30, 2006 and the period July 1, 2006 through February 28, 2007. Audits on time and labor, ASB, cash counts, procurement cards, information systems, and special requests were performed. There will be a time and labor in-service for the Area Superintendents. Jackson requested information on who the major findings were referred to for action? Were the actions effective?

	<p>What were the consequences? What follow-up was done?</p> <p>Wright inquired about the approval of electronic timekeeping. Kowba advised it is still in progress however Niehaus advised LA Unified was denied.</p> <p>Niehaus also advised a new online system will be in place for better tracking of procurement card purchases. The new system will help find and report misuse of procurement cards and HR will determine disciplinary action. Wright suggested training staff before distributing procurement cards.</p>
5. Internal Audit Hotline (Niehaus/Duran)	Duran advised since the implementation of the fraud hotline there have been a total of 111 complaints: 13 investigations are complete, 9 required corrective action, and 4 had insufficient evidence to proceed. The highest level of complaints were HR related.
6. VLS Contract Extension (Kowba/Leighton)	Kowba advised the contract with VLS was extended through March 31, 2008.
7. Status Report on 2006-2007 External Audit (Kowba/Leighton)	<p>Kowba presented the timeline for the 2006-2007 audit. The audit began in February 2007.</p> <p>Kowba advised the CDE responded to the complaint issued by Paige regarding the retirement fund and a review of the documents is scheduled for 4/9-4/13/07.</p>
8. GASB 45 Update (Kowba/Leighton)	Kowba presented the recent activity on evaluating the District's OPEB liability. Per the Actuary the District doesn't qualify as a Defined Contribution so an actuarial study has been okayed to determine OPEB.
9. External Audit RFP (Kowba/Leighton)	Kowba is currently working with procurement to the external audit RFP out in either June or July. This is a priority.
10. 2005-2006 External Audit Findings (Kowba/Leighton)	<p>Kowba presented the corrective actions taken for the findings from the 2005-2006 audit. Of the 4 open findings all are in process and expected to be complete by 6/30/07.</p> <p>Additionally, in finding 06-01 it was determined that Food Services cannot be excluded from PERS calculations.</p>
11. Roundtable	Kowba presented the wrap-up on Prop MM. 98% of the funds have been spent and all funds have been assigned. Stein's company received the Baldrige Award. Removal of Eucalyptus trees was suggested for safety.
12. Next Meeting Date	TBD – End of June.
Adjournment	3:55 p.m.

Minutes respectfully submitted by Melissa Hudson, Assistant to the Board of Education