



Board of Education

San Diego Unified School District

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AUDIT AND FINANCE COMMITTEE
 Education Center Conference Room 2226
 October 9, 2006
 MINUTES

Members Present: McAllister, Wright, Jackson, Stein, Nakamura

Staff Present: Kowba, Smith, Leighton, Betancourt, Buckley, Niehaus, Palkowitz, Macalos, Mills, Phillpott

Meeting called to order	Chair McAllister called the meeting to order at 2:10 p.m. Introduction of new staff members to committee.
1. Approval of May 26, 2006 minutes	Motion to approve edited minutes by Wright, seconded by Jackson, approved unanimously.
2. Status Report on 2004-2005 Audit Finding (Kowba/Leighton)	<p>Kowba and Leighton presented the updated 2004-2005 Audit Findings Summary with "status" column added. The summary shows four open items.</p> <p>Finding #05-14 regarding ALBA's non-compliance with District attendance counting standards was referred to Geno Flores for follow-up. Jackson suggested consequences for non-compliance. Phillpott suggested sending a letter from the committee to the Board and the Superintendent explaining this ongoing problem. Kowba and Leighton are currently discussing how to resolve this issue. McAllister asked staff to have this issue resolved by the next meeting.</p> <p>Finding #05-17 shows Hancock Elementary is not entering information into Zangle. Hancock is the only school not using Zangle. Nakamura requested update on obtaining permission to use electronic certification. Leighton advised they are working on it.</p> <p>Finding #05-22 regarding NSF Audit of funds has received a favorable legal opinion. Palkowitz advised the NSF accused the District of destroying documents against Grant specifications to keep all related documents for three years longer than the life of the Grant. The forensic audit took 2 months and there were no fraud findings. In years that documents were available, the NSF found the district to be in compliance. McAllister asked if there was any follow-up. Palkowitz advised no updates since April 2006. Kowba requested Palkowitz call NSF and report back to the committee.</p>

<p>3. Update on Ethics Program (J. Smith)</p>	<p>Smith advised in response to finding #05-01 of the 2004-2005 Audit Status Report, an Ethics Officer, Joan McRobbie, has been hired to assist with the Antifraud Program. The Ethics Officer will be as a counselor to employees for prevention and training purposes and report to the Chief of Staff. Smith will invite McRobbie to the next meeting. An Ethics Investigator will also be hired and will report to the Legal Office. This position will offer investigative services and “damage control” in the event a complaint is filed by an employee.</p> <p>Smith advised a hotline is available for employees – phone and web-based – which is answered by a reputable company in Atlanta, GA. The District has a 1-year deal with this company.</p> <p>Smith reviewed the new Ethics Code, which will be publicly displayed at each site. McAllister suggested a cover letter be sent out with the Code to familiarize all employees with it.</p>
<p>4. Status Report on 2005-2006 Audit (Kowba/Leighton)</p>	<p>Macalos advised Phase I, which includes the Internal Control Questionnaires, an attendance review, and a review of cash, B-warrants, and payroll, is complete. Phase II, which is a second look at attendance, is complete. Phase III, which is the final wrap-up with explanations of all changes from last year to this year, is in process. The auditors are expecting to present the audit at the December 12, 2006 Board of Education meeting.</p> <p>Leighton advised the District has one more year with the current audit firm. In January 2007, the District will put out for a bid.</p> <p>Kowba requested weekly updates with the auditors.</p>
<p>5. Status Report on District Budget (Rayburn)</p>	<p>Kowba advised the baseline budget is \$1.193 billion. This amount includes a full year salary increase at 3.5%, an 11.9% average increase for employee benefits, \$1 million for pupil bus replacement, restoration of 34 landscapers, funding for the ethics program implementation and training, support for the new Area Superintendent structure and many other programs. Kowba pointed out \$212 million of the budget will be dedicated to special projects such as preschool, physical education, and arts programs.</p> <p>On the final adopted budget summary Kowba showed a beginning balance of \$99,994,026 and a reserve for economic uncertainty of \$22,122,285. The loss of approximately 2,000 students for the current school year contributed to the amount of the beginning balance.</p>
<p>6. Roundtable</p>	<p>Leighton introduced the updated policies for the San Diego Education Fund. The suggestion has been made to have someone outside of the District signs the checks from this fund. The District will still oversee the fund however; the</p>

	possibility and appearance of improprieties on the District's part will be eliminated.
7. Next Meeting Date	TBD – Sometime between 11/21/06 and 12/12/06 to correspond with the 2005-2006 Audit Wrap-up
Adjournment	3:50 p.m.

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