



Board of Education

San Diego Unified School District

EUGENE BRUCKER EDUCATION CENTER
4100 Normal Street, Room 2231, San Diego, CA 92103-2682

(619) 725-5550
Fax: (619) 297-5624

Luis Acle
Trustee

John de Beck
Vice President

Shelia L. Jackson
Trustee

Mitz Lee
Trustee

Katherine Nakamura
President

AUDIT AND FINANCE COMMITTEE
Education Center Conference Room 2226
June 6, 2008
MINUTES

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

Staff Present: Grier, Kowba, Leighton, Palkowitz, Duran, McRobbie, Macalos

Meeting called to order	Chair McAllister called the meeting to order at 3:04 p.m.
1. Welcome and Opening Remarks (McAllister/Grier)	McAllister introduced Superintendent Grier. He stated he would like to look at schools with budget overruns and provide better training for their financial clerks. Possibly look at protecting those positions at the sites for purposes of accurate record keeping.
2. Approval of Minutes	Minutes from the March 5, 2008 meeting were approved.
3. 2006/07 External Audit Corrective Action (Kowba/Leighton)	<p>Kowba advised we are using the audit firm of Nigro, Nigro, and White which was recommended by the committee. Last year deficiencies that were two to three years old were cleared. All are expected to be complete within 90 days. McAllister pointed out the District's efforts with capital asset tracking and district wide equipment inventory.</p> <p>Grier expressed interest in putting all student records and personnel files on disk and sending them to multiple storage places for security purposes. Nakamura questioned how long the law requires us to keep records on site. Grier suggested hiring a personnel lawyer to assist in the process. Palkowitz advised nine months ago the District signed a contract with Cor-O-Van to remove all boxes from Annex 1 and put them in permanent storage.</p> <p>Wright questioned the payroll overpayments due to salary prepayments that always show up on our audits. Kowba advised the District changed the collection agency we are working with and we have revised the procedure for contacting employees.</p> <p>Actions: Grier requested obtaining an estimate to scan all records. Wright requested discussing the prepayment practice during the next SDEA contract negotiation.</p>

4. Supplemental Early Retirement Plan (SERP) Update (Kowba/Palkowitz)	Palkowitz advised all requests for information made by the California Department of Education have been accommodated concerning the allocation of funds. The District is in regular communication through our attorneys. In 2-3 months we are hoping for an opinion from the Department of Education and an update will be provided at the next committee meeting on September 12.
5. Hotline (Duran)	<p>Duran advised the hotline has received an increase in calls. There have been a total of 276 reports filed and 212 investigations resolved, 36% of which resulted in corrective or administrative action. In the case of the recyclable ramps, the employee was convicted of 6 felony counts and the District is seeking full restitution of \$26,000.</p> <p>McAllister advised the hotline is a positive development for the District as it gives us greater access to the issues. He thinks we need to advertise the success of the hotline. Duran advised McRobbie is offering training to District staff on the hotline.</p> <p>Duran added a District employee who served as the Zamorano Foundation President was arrested for misappropriation of funds totaling \$120,000. Stein questioned the District's policy on ASB fundraisers.</p>
6. National Science Foundation (NSF) Update (Kowba/Palkowitz)	Palkowitz advised the District is in settlement negotiations. Leighton stated the amount is significantly less than the original bill. There will be another update in September.
7. Reserve History (Kowba/Leighton)	<p>Kowba advised the District has had a reserve for 20 years. The reserve was not required until the 1993-94 school year with a recommended minimal level of 2% for "economic uncertainty." Leighton advised waivers have been received in the past to lower the reserve level until the District could afford to replenish it. One potential risk of lowering the reserve below the 2% minimum is a lower credit rating. Currently the district enjoys the highest rating available to school districts.</p> <p>Wright submitted that since the reserve is in place for "economic uncertainty" it should not be lowered to compensate for the budget cuts because "the budget being cut is not uncertain." Leighton advised we actually have a 5% reserve, of which 2% is for "economic uncertainty" and the remaining 3% covers vacancy savings and school site carryovers and encumbrances.</p>
8. 2008/09 Budget Development (Kowba)	Kowba advised the final budget will be adopted at the June 20, 2008 board meeting based on a \$53 million deficit. When the summer revision comes out there will be an amendment to the budget.
9. Roundtable	Kowba gave a brief description of the draft version of the

	<p>user friendly budget book.</p> <p>Leighton has received requests from several Principals to allow investments in other than Wells Fargo instruments. Some Principals claim they can get better rates than those offered by Wells Fargo. The Committee stated that the small difference in rates does not offset the better internal controls that are achieved by using a single bank for all investments. The Committee also recommended discussing the competitors' rates with Wells Fargo to see if we can negotiate a better deal with Wells Fargo.</p>
Adjournment	4:17 p.m.

The next meeting of the Audit and Finance Committee will be Friday, September 12, 2008 at 2:00 p.m. in Room 2249.

MAH