



Board of Education

# San Diego Unified School District

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AUDIT AND FINANCE COMMITTEE  
Education Center Conference Room 2226  
March 5, 2008  
MINUTES

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

Staff Present: Kowba, Leighton, Buckley, Niehaus, Phillpott, Duran, McRobbie, Smith, Surbrook, Wong, Macalos, Simington

Meeting called to order	Chair McAllister called the meeting to order at 12:21 p.m.
1. Approval of Minutes	Minutes from the January 24, 2008 meeting were approved.
2. Reserve for Economic Uncertainties (Kowba)	<p>Kowba recapped the Governor's proposed budget that will require a cut of \$80 million to our budget. He advised cuts to Central Office alone will not cover the deficit and there will have to be cuts made at the school sites. Based on the proposed cuts Special Education programs will be out of compliance with federal requirements.</p> <p>Currently the District has a 2% budget Reserve for Economic Uncertainties which is approximately \$24 million. Kowba advised the District can apply for a waiver with the State Board of Education to allow the reserve to be cut to 1%. There is mixed support from the labor unions regarding this action. When this option was exercised for 2003-04 it took 3 years to build it back to 2%. If this option is exercised prior to the start of the 2008-09 school year, the school board will need to approve it at the March 11 board meeting. Jackson provided a handout with key district dates pertaining to the budget crisis.</p> <p>Kowba provided a handout outlining "packaged" cuts. McAllister suggested consolidating like programs and offices. Wright suggested consolidating school sites. Kowba advised there are 47 schools with enrollment under 400 that are being considered for possible closure or consolidation.</p> <p><b>Action:</b> After discussion of options the Committee decided unanimously not to support the reserve waiver. Phillpott will draft a letter from the committee for McAllister to present to the school board at the March 11 board meeting.</p>

3. Audit Status Summary Report (Niehaus)	<p>Nakamura provided a handout outlining the 200 departments paying out the most overtime. Of the \$16 million paid out, 40% of the overtime was paid to the same 800 employees. An audit of timekeepers entering their own overtime was conducted as a result and fraud was discovered in some of those cases as well.</p> <p>On the Audit Status Summary Report, Niehaus provided the time and labor, ASB, and purchase card audits of various schools. On the time and labor portion, Jackson requested more details in the results section. All ASB accounts have been consolidated to one main account with individual sub-accounts for each school. A few schools had negative balances in their ASB accounts that have been rectified. On the purchase card audit, missing documentation and unauthorized use were among the violations discovered. Where multiple and repeat violations were discovered, the cards were revoked.</p> <p>An audit of the Community Service Association (CSA) resulted in some findings that were addressed and corrected by the CSA board. The audit of the Children's Conservation Academy resulted in multiple findings and their Board voted to close the school.</p> <p><b>Action:</b> Jackson requested an audit of charter school funds.</p>
4. Hotline (Duran/Niehaus)	<p>Duran advised in the past 30 days there have been numerous calls for suspicion of fraud (theft of hours). Of these calls 70% have been validated. The case that is currently with the D.A.'s office regarding the recyclable ramps is scheduled for trial in late April.</p> <p>Wright suggested publishing the violations without specific details about the offenders in order to show employees that the Hotline is working.</p>
5. Supplemental Early Retirement Plan Update (SERP) (Kowba)	<p>Buckley advised the district is continuing to negotiate and will provide another update at the next Audit and Finance Committee meeting.</p>
6. Roundtable	<p>Niehaus contended that the impending central office cuts would impact her department's ability to provide the same level of audit information they are currently providing.</p>
Adjournment	<p>2:17 p.m.</p>

The next meeting of the Audit and Finance Committee will be June 6, 2008 at 2:00 p.m. in Room 2249.

MAH