



Board of Education

San Diego Unified School District

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AUDIT AND FINANCE COMMITTEE
Education Center Conference Room 2226
July 13, 2007
MINUTES

Members Present: McAllister, Jackson, Nakamura, Stein, Wright
Staff Present: Kowba, Gonzales for Buckley, Palkowitz, Phillpott, Rayburn, Duran, McRobbie, Macalos, Symington, Mills

Meeting called to order	Chair McAllister called the meeting to order at 3:02 p.m.
1. Approval of March 23, 2007 Minutes	Motion to approve minutes by Wright, seconded by Jackson. Motion passed. Wright requested a draft of the minutes be distributed to the Committee Chair and Vice Chair before they are reviewed by staff. He also requested minutes be received in a timely manner.
2. 2005-2006 External Audit Corrective Action (Kowba)	Kowba distributed a one-page summary dated July 12, 2007 that included a concise update of Findings 06-01 through 06-19. He stated they are still working on one Finding—Capital Asset Tracking System. Peoplesoft and Everge are working together to implement. The Facilities Department still uses Maximo. Closing the 2006-2007 accounting should be complete by late August
3. 2006-2007 External Audit Schedule Status (Kowba)	Kowba explained the external audit is a multiphase process that should be completed in November to present to the Board and Audit Committee. There were carryover items in the 2006 audit.
4. External Audit Request for Proposal Update (Kowba)	The district rotates the external auditors approximately every 3 years. Kowba stated his department has been working with Procurement to prepare the Request for Proposal (RFP). They are proposing it be advertised in the SD Daily Transcript and Voice & Viewpoint, and close August 5. McAllister recommended a press release to announce the RFP as it would be positive publicity for the school district. The selection will go to the Board September 2007. Stein asked for clarification on the process for evaluating the firms before making the selection. Discussion followed with Wright and Stein accepting the charge to interview applicants as they did in the past.
5. GASB 45 Valuation	VLS and Nicholas Consulting met in January regarding retiree

Report Status (Kowba)	benefits and the need to do a technical evaluation to see if we need to do another actuarial study; then take the contract to the Board—study to be done by July 31. Per the actuary, the district does not qualify as a Defined Contribution. The study is good for two years. Collective bargaining dictates the amount of money the district pays. There will be an update at the next regular meeting of this committee.
6. National Science Foundation Audit Update (Palkowitz))	The NSF audit is ongoing and is in its fourth year. Art Palkowitz is the point person for this audit. The district retained a forensic auditor in March 2006, however, we did not maintain all the records back 5 or 6 year ago. The U.S. Attorney’s office is reviewing further documentation we provided to them. No further financial impacts to the district are expected and the incorrect charges were reversed. There is a potential 1.1 million dollars negative impact. The system we have in place now will not allow us to get into this predicament again.
7. SERP Audit Update (Palkowitz)	Palkowitz reported that in 2003, approximately 1500 employees retired. The estimated net savings over the five-year horizon was \$7.7 Million, a portion of this was charged to Title funds. With a recent change in CDE, the district will not be charging SERP related costs to federal funds as originally budgeted for the 2006-2007 and 2007-2008. Nakamura asked that numbers be included in the information given to this committee.
8. 2007-2008 Adopted Budget (Rayburn))	Nakamura expressed concern on the budget being revised late and the somewhat confusing format. She presented several budgets from other districts from across the nation and asked to have this committee spend some time reviewing them to develop a prototype for our district. Jackson thanked the committee for their ongoing work and stated that our budget is not easily readable and this committee should be included in the process to bring forward a budget that everyone can understand. Kowba stated they used the format previously used over the past few years and agreed it is not easily readable. A task force will take a look at building site budgets properly so principals can understand their own budgets. McAllister reiterated that this committee is not a budget committee however there is a relationship between what this committee does—audit/finance and budget. He stated that he wants to do what is right for the taxpayers, district, and parents. Nakamura is asking for development of a prototype document to use to make a professional budget document that can be understood by all. Stein agreed with McAllister regarding this committee’s involvement in the budget process and is concerned that we could end up with a polished document but still chaos below. Kowba said the CA Ed Code is convoluted, therefore, we start out with a difficult

	product. Wright addressed several issues regarding the software program the district is using to be sure it is running smoothly and being upgraded. He also stated that the Board has been complaining for years that the budget process in place is hard to understand and not released in a timely timeframe but at the last minute. They don't need the detailed budget items, but a public, broad based, easily understandable budget.
9. Next Meeting Date	McAllister suggested a special meeting of this committee to review different budgets. Board members should come up with a list of what they want in the final budget. A meeting is scheduled for August 8, 2007, at 2:00 p.m. to review the budget process and review prototypes. Another meeting will take place early September to discuss the external audit RFP.
10.. Roundtable	Kowba will be presenting a briefing at the Board Workshop on July 23—there will be budget dialogue, sharing information and a special presenter from SSC, Ron Bennett. Nakamura would like to see the budget documents principals receive. Kowba said he would e-mail one to her.
Adjournment	4:26 p.m.