

AUDIT SUB-COMMITTEE MEETING

SWEETWATER UNION HIGH SCHOOL DISTRICT
BOARD OF TRUSTEES

ADOPTED MINUTES

12:00 p.m.

June 19, 2013

Board: Jim Cartmill	•Bertha J. López	• John McCann	• Pearl Quiñones	•Arlie N. Ricasa
Superintendent:	Edward M. Brand	•Student Board Representative:	Rubi Rivera	

Order of Business

I. CALL TO ORDER

Albert Alt called the meeting of the Audit Sub-Committee to order at 12:35 p.m. In attendance were Jim Cartmill, board president, and Arlie N. Ricasa, board vice president. Also in attendance was Frances Martinez, district internal auditor.

II. PUBLIC COMMUNICATION

None.

III. ITEMS FOR DISCUSSION

1. DISTRICT DELTA

1. PowerPoint Presentation

- Dr. Albert Alt began the meeting by providing a PowerPoint presentation to the Audit Subcommittee. He proceeded by asserting the importance of focusing on putting a structure in place which provides best practices and he discussed the following:

- a) Common Core Standards is new for the 2013-2014 Delta.
- b) Fiscal Stability is a core value of the district, and will be tied to the Audit Subcommittee presentations/reports. It is important for the Board to have three key components as a foundation for fiscal stability:

- I. Well-defined and understood budget development process.
- II. Regular on-going budget monitoring and reporting.
- III. Year-end close activities including the Financial Audit. This structure provides the opportunity to evaluate what we have done in our budget cycle and monitoring.

2. BUDGET DEVELOPMENT MONITORING

1. Audits

- Dr. Alt explained that the financial audit serves multiple purposes in evaluating internal controls and systems that we have in place. It also serves as evidence of stewardship of the taxpayers' money as well as gives the opportunity to evidence the district's financial stability to internal and external stakeholders.

- Dr. Alt provided the following links as examples of evidence to external stakeholders:

http://www.guhsd.net/index.php/component/docman/cat_view/41-business-services/143-budget-and-financial-information/147-reports-letters-and-overviews/148-audited-financial-reports

<http://www.cvesd.org/DISTRICT/Pages/services.aspx>

Dr. Alt mentioned that our audits are located on the district website but also emphasized the importance of these documents being readily accessible to the public via our webpage.

3. BEST PRACTICES

1. Best Practices and Audit Committees

- Dr. Alt addressed the importance of using best practices. Audit committees are well-known as a best practice by reputable organizations in public finance. Dr. Alt provided a couple of endorsements such as the National Association of Chief Business Officers, which provides training, as well as the Institute of Internal Auditors.
- Dr. Alt referenced the following links and provided hard copies of researched and documented information on the use of audit committees as a best practice:

http://www.agacgfm.org/AGA/Documents/Research/CPAG_N017-1-.pdf

http://www.gfoa.org/index.php?option=com_content&task=view&id=1451

http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/GovernmentResourceCenter/DownloadableDocuments/GoVAccBriefJuly_20_09.pdf

4. PURPOSE AND IMPORTANT TASKS

1. Purpose and Benefits of Audit Committee:

- Dr. Alt shared that the Government Finance Officers Association ("GFOA") represents publicly-funded agencies. Their recommendation is: "The governing body of every state and local government should establish an audit committee or its equivalent." Dr. Alt stressed the importance of the Audit Subcommittee having direct interaction with both the internal auditor and external contract audit firm. Dr. Alt recommends the district hire an external audit firm that will do an in-depth review and keep the board well-informed.

Dr. Alt spoke on his philosophy of creating a forum where we have multiple check points: The internal auditor needs to have a vehicle to communicate with the Audit Subcommittee in a safe way; the district must assure the independence of the

internal audit function; and the district should be strong enough in its commitment to financial stability and internal controls to hire the top external accountancies to provide an in-depth review.

- Dr. Alt communicated the following from the American Institute of CPAs ("AIC"): "The implementation of audit committees by government entities both enhances financial transparency and controls...." He stated that we need to provide activities that ensure independence is maintained along with a defined system of transparency and internal controls.

2. Internal Auditor's Role

- Frances Martinez discussed that the purpose of her position, as defined in her job description, is to be working in high risk areas where there is cash collection. She stated that she has worked primarily with ASBs, Transportation, and Libraries; she looks for anything that is a compliance issue that could lead to a fiscal concern such as instructional minutes; she is the liaison with the external auditors preparing and providing information and documents; and the last few years she has primarily dealt with special investigation audits that involved cash and employees. Ms. Martinez recommended that the Audit Subcommittee work with the internal auditor to develop the Internal Audit Department according to what is being recommended by the AICPA as well as other reputable organizations.

5. DRAFT SCHEDULE

1. Audit Subcommittee Meeting Schedule

- Dr. Alt provided a draft schedule of potential Audit Subcommittee meetings for the 2013-2014 fiscal year, stating that this schedule emulates what you should see as a plan of what the Audit Subcommittee actions would be. Dr. Alt's purpose was to have today's meeting serve as an orientation; the "tasks" listed on the schedule identify a recommended process. Dr. Alt's recommendation is that the committee meets quarterly and have the agenda structured around the rhythm of the audit or areas the committee would like to review. Dr. Alt mentioned that currently the external auditors have collected data so there is nothing to report to the Audit Subcommittee at this time, however, the external auditors will have preliminary findings and will ask us for a management letter in the first quarter of the 2013-2014 fiscal year.
- Dr. Alt commented that this is a good forum to put a plan in place which would distinguish a solution to a finding, assign the task of rectifying the finding to a group or individual, and identifying a completion date. He stated that at quarterly meetings, we should be able to bring the structured plan to the committee to evidence, by the end of the year, that all findings have been resolved. The committee should

also report back to the board that it has reviewed the audit, any identified findings have a plan for resolution in place, and the committee has reviewed evidence that findings will not be recurring issues.

- Dr. Alt recommended the first meeting be one in which the internal auditor speaks about her role, high risk areas, and types of special audits the Audit Subcommittee might consider. He stated that eventually the external auditors would present at a meeting to discuss their findings, and the County Office of Education has a distinct role in certifying our financials and our audit. Dr. Alt would also like for a representative from the County Office of Education to present at an Audit Subcommittee meeting and discuss the purpose and criteria for their review and their means for communicating the results of the review to the district. He stated that it's important for the County Office of Education to know what level of support they will get from the Audit Subcommittee.
- Dr. Alt stated that by the second quarter the audit should be nearly complete, and this year it was not accepted by the Governing Board until March which, in Dr. Alt's opinion, was late. He stated that typically the Governing Board should adopt the audit in January or February. He stated that we should be able to bring the audit to the Audit Subcommittee at the end of December, identify findings and provide an appropriate response plan to ensure the findings are addressed. He stated that an audit finding response plan should obligate people by assigning them to a task and monitor the task to completion, and that this plan should be reported to the Audit Subcommittee regularly. Dr. Alt shared that if the audit is taken to board by the third quarter in March, the Audit Subcommittee should have already seen the draft plan, the findings, and what steps have been taken to remedy each finding. He stated that in March the Audit Subcommittee will be able to see what items have been completed and can start planning for the next audit.
- Dr. Alt stated that for the future, he advocates for utilizing both the internal and external auditors to identify high risk areas as well as any special audits as requested by the Audit Subcommittee, and a more in-depth sampling in common high-risk areas.
- Dr. Alt discussed having our fixed assets as part of our audit. He stated that fixed assets represent a high risk area and are typically an area that is exploited. He further stated that this could set a foundation off into the future that we are willing to dive in, take a risk of the possible outcome, and be very active about ensuring to the governing body that this never happens again.
- Dr. Alt asserts that by the end of the fourth quarter, the Audit Subcommittee should have reasonable assurance and evidence that audit findings have been cured.

6. NEXT STEPS

1. Mr. Cartmill recommended that Dr. Alt provide this presentation at a future board meeting and share screen shots of what the web interface is going to look like, as this would enhance our proactive efforts.
2. Arlie Ricasa stressed the importance of having a sustainable process that allows for whoever is in the organization or not, that there is the ability to have accountability. She stated that for the board, everything should be available and should be seen especially when it comes to public financing. She stated that it is important to have this clarity as it will strengthen our internal process, and the district needs to ensure that things are in the right place.
3. Dr. Alt stated that the accountancy firm we hire is a significant factor. Dr. Alt recommends a culture where the audit firm we hire is comfortable having an open dialogue with the Audit Committee in apprising us of their findings, best practices, and that our response plan is adequate to resolve the findings.
4. Dr. Alt feels strongly that the district needs to always have evidence of business best practices including strong internal controls, in-depth auditing by the contract audit firm and a regular review of high risk areas by the internal audit function.
5. Mrs. Ricasa stated that she liked the meeting schedule, and she liked Best Practices as well as making information accessible through our website. Additionally, she supports what Dr. Alt is bringing forward.

IV. ADJOURNMENT

The meeting was adjourned at 1:12 p.m.

Approved: _____


Deanne Vicedo
Clerk of the Board