



# SAN DIEGO UNIFIED SCHOOL DISTRICT

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

AUDIT AND FINANCE COMMITTEE  
Education Center Conference Room 2249  
March 11, 2004  
MINUTES

<p>Approval of February 23, 2004 Minutes</p>	<p>Meeting was called to order at 1:09 p.m. Members in attendance—Dan McAllister, William Wright, John de Beck and Katherine Nakamura. Lisa Stein was excused.</p> <p>Staff in attendance—Scott Patterson, Rebecca Phillpott, Tad Parzen, Jan Mohny and Patsy Crespo.</p> <p>Minutes were reviewed with a motion by Nakamura, seconded by de Beck to accept the minutes as corrected. The committee unanimously approved the motion.</p>
<p>Status Report on District 2002-03 External Audit (KPMG)</p>	<p>Margaret McBride from KPMG continued with a status report on the 2002-2003 External Audit. The current audit has been delayed due to the lack of knowledgeable District staff able to provide adequate and accurate data to the auditors.</p> <p>An extension of the external audit from the State to April 30, 2004 has been approved.</p> <p>KPMG will make their report at the Board of Education meeting in late April.</p>
<p>Review of 2003-2004 Contract for External Auditor</p>	<p>Patterson reported that over the last 6 years, the district has changed auditors two times. There is a six-year limit with the same audit partner. Education Code 41020 gives an April 1<sup>st</sup> deadline for the Board to approve the contract. This is the final year for the Public School Building Corporation, June 30, 2003. KPMG was recommended as the audit firm for Fiscal Year 2003-04 and will be submitted for approval at the March 23, 2004 Board meeting. This will be the fourth year of continued engagement for KPMG.</p>

	<p><u>MOTION</u>: De Beck, second Wright: Move to continue with the current auditors subject to successful negotiations with KPMG on its contract. Unanimous.</p>
<p>Review of District Waiver Request to Lower the Reserve for Economic Uncertainties</p>	<p>Miles Durfee, Manager, Administrative and Legislative Services gave a brief overview of the functions of his department and led a discussion of the district’s waiver request. The district’s general fund reserve for uncertainties has fallen from 2% in 1997, 1% in 1998 to under 1% in 2003. Peggy McBride (KPMG) was asked to comment on the request. McBride observed that this amount is considered low for this type of reserve, although the current national, state and local economic conditions certainly qualify as “uncertain.” The committee agrees that a 1% reserve is too low and a 2% reserve is barely adequate as an offset during fiscally trying times. <u>MOTION</u>: Wright, second McAllister: The Audit and Finance Committee encourages the Board to increase the reserve fund over a period of time. Unanimous. The committee will review this matter again at a later time. McAllister will send a letter to Board of committee’s motion. McBride will send materials to committee from other school districts on this subject. Patterson will communicate the committee’s intentions to the Superintendent.</p>
	<p>Phillpott presented a Draft of the Audit Committee Responsibilities Calendar (HO #3) for review and consideration by the committee. Andrea Niehaus and Leslie Fausset will be invited to the next meeting to discuss the internal audit. A discussion took place regarding why the word “Finance” was added to this committee’s title by the Board of Education.</p> <p>This item will be on the agenda for the next meeting to discuss recommended changes and finalize the committee’s responsibilities. Phillpott will revise and add “State of the District Finances Review.”</p>
<p>National Science Foundation Audit</p>	<p>Art Palkowitz, Manager, Office of Resource Development, reviewed the National Science Foundation Audit (HO# 1 &amp; 2). This is a 5-year, \$15 million federal grant project that has undergone</p>

	<p>an audit of the two major grants USI (Urban Systemic Initiative) and the USP (Urban Systemic Program). Of \$7 million of costs incurred, the NSD has questioned the allowability of approximately \$6 million due to lack of adequate documentation. The district is changing its record keeping procedures, records retention and journal entries to comply with the NSF recommendations.</p>
<p>Member Reports</p>	<p>None</p>
<p>Agenda and Date for Next Meeting</p>	<p><u>April 15, 2004, 2:30 – 4:00 p.m. at the County Administration Building, 1600 Pacific Highway, Room 162</u></p> <p>Suggested agenda topics are:</p> <ol style="list-style-type: none"> <li>1) Final Review of FY 02-03 External Audit</li> <li>2) Report on Independent Citizens Oversight Committee (ICOC) - Request to the Board to Increase General Fund Allocation for Facility Major Repair and Replacement</li> <li>3) Audit and Finance Committee Scope of Activities       <ol style="list-style-type: none"> <li>a) Role and Function of Internal Audit</li> </ol> </li> <li>4) Meeting Schedule for Remainder of 2004</li> </ol> <p>Meeting adjourned at 2:45 p.m.</p>

Respectfully Submitted,

Jan Mohny