

# Board Special Meeting

John Stanford Center – Board Office Conference Room



Audit & Finance Committee Meeting Minutes  
Oversight Work Session: Finance Meeting Minutes  
Thursday, December 8, 2016  
4:30 – 7:00 pm

## **Call to Order**

Director Peters called the meeting to order at 4:30 pm.

School Board members present were Directors Peters and Harris and Director Blanford arrived at 4:47pm.

## **Approval of Agenda**

Assistant Superintendent of Business & Finance JoLynn Berge requested to change the agenda order. Director of Policy & Board Relations Nate Van Duzer will be speaking about Informational Only: 2017-18 Work Plan first. Director Harris moved to approve amended agenda and Director Peters seconded. The agenda was unanimously approved.

## **Approval of Minutes**

Director Harris called for a motion to approve the November 10, 2016 meeting minutes. Director Peters seconded. The minutes were unanimously approved.

## **Special Attention Items**

### 1. Informational Only: 2017-18 Work Plan (Van Duzer)

Director of Policy & Board Relations Nate Van Duzer spoke about giving the directors an opportunity to review the suggested 2017 Audit and Finance work plan. Mr. Van Duzer will be focusing on board policies and procedures. This is a time for the committee members to provide feedback on suggested work plan items. He pointed out the biggest item on the work plan occurs in May 2017 with Human Resources policies. Mr. Van Duzer summarized the other policies that will be updated in 2017.

Director Harris asked if the policy of hiring retired school employees is due to changes in the legislature. Mr. Van Duzer explained we had been working on it prior to the WSSDA update. Assistant Superintendent for Human Resources Clover Codd explained how WSSDA came out with a new policy and this is to make sure our policy aligns with them.

Director Peters asked if we have seen the benefits of hiring retired employees yet. Ms. Codd explained we have not seen any measurable difference from one year to the next that can be reported on yet.

Director Blanford arrived at 4:47pm

Mr. Van Duzer spoke about other upcoming policy updates.

Director Harris asked if we had a list of policies that have not been updated to the numerical system we currently use. Mr. Van Duzer stated we do have that available. He summarized how the updated policies on the work plan are determined.

Director Harris asked does it make sense to bring the Human Resource (HR) items to the committee prior to the May due date for feedback. Mr. Van Duzer explained that can be done, and Ms. Codd stated she would also be able to give updates at meetings prior to May.

Director Blanford asked where can outgoing committee members give input to the new

members. Mr. Van Duzer explained this is to get feedback from the outgoing committee members and will be back to get feedback from the incoming new committee members. Assistant Superintendent of Business & Finance JoLynn Berge spoke about the budget book presentation scheduled in June.

Director Harris asked Ms. Codd if the HR policies is where some of the social media issues will land. Ms. Codd clarified the question if Director Harris asked if she meant staff using social media on their free time. This policy update will not include that. Ms. Codd will speak with Deputy Chief Counsel Noel Treat for additional feedback on how to approach that.

Director Peters asked about the potential RIF in April and the Alliance for Education MOU. She wants to know if the Alliance MOU is due to the fiscal role they play. Ms. Berge explained we have separated from them and they are no longer doing fiscal work. It is an agreement to partner together to find funding for K-12. Ms. Berge will check to see if we will be reissuing an MOU and the item may need to be removed from the work plan. Ms. Codd explained we typically do have RIF's in April due to bargaining agreements. Once that date has been set it will be coming back to A&F.

Director Blanford noted in the past this has been small but this year it might be bigger, therefore having the possible list ahead of time will be helpful.

Director Harris wants to suggest the Alliance item be moved to February. Mr. Van Duzer will look into if this should remain on the work plan.

### **Items Requiring Board Action**

#### 1. BAR: Head Start Duration Grant (Gousie)

Interim Executive Director Cashel Toner spoke about the BAR that will allow Seattle School to accept duration funds. The government has made funds available to extend the school day for Head Start. Ms. Toner explained they applied for four classrooms to be extended and two were awarded funding for full day programming. Ms. Toner explained how it was decided where the classrooms should be placed. On page two of the BAR it shows the process of community engagement, how the policy council helped and the equity and engagement. Ms. Toner spoke about a map included in her packet that shows preschool placement in the City of Seattle. Based on this information the recommendation would be to have a full day at Roxhill Elementary and Olympic Hill Elementary Schools. Ms. Toner summarized the student benefit.

Director Harris asked if the possibility of implementation at these locations in being well received by school leadership. Ms. Toner confirmed that school leadership was happy with this plan. Ms. Toner spoke about additional planning ahead and the timeline.

Director Harris asked if this would include special education students. Ms. Toner explained it would include students with IEPs.

Director Blanford asked about additional clarification on amount indicating need. Ms. Toner explained it was on the map and was visible based on the number of dots.

Director Peters asked if Roxhill and Olympic Hills already had Head Start available. Ms. Toner confirmed Roxhill does. Ms. Toner was unsure about Olympic Hills and would have to get back to the committee with that answer.

Director Peters asked what the benefits are to having additional time with the students, are we serving less students. Ms. Toner explained the same amount of students will be served but extended out the time they are there. And at Roxhill they would have two class rooms with morning and afternoon.

Director Peters how many kids are in each classroom and asked about free and reduced lunch. Ms. Toner explained it was 20 additional kids for 60 total. Ms. Toner explained it depended on the location some schools have more children that already would qualify for free and reduced lunch.

Director Harris asked how is it determined who at Roxhill get full day. Ms. Toner does not currently have that answer yet, and some further work would need to be done.

Director Blanford asked if the item in section 6 if the entire policy council was involved. Ms. Toner confirmed the entire council was involved and feedback was given.

**Action: Director Harris moved to move the item forward to the full Board with a recommendation for approval. Director Blanford and seconded. This motion passed unanimously.**

### **Special Attention Items**

2. Informational Only: Head Start Financial Report (Toner)

Interim Executive Director Cashel Toner confirmed Head Start is on track. She explained Head Start is on the Federal budget cycle which is October to October.

Director Harris asked if we expect any changes based on changes in the Federal Administration. Ms. Toner is unsure at this time.

Director Blanford asked why they have the big variances. Ms. Toner will write down the questions and ask Head Start Manager Eugene Gousie to get back to the committee members with answers.

3. Informational Only: Grants Update (Stone)

Grants Director Michael Stone spoke about fiscal compliance since the last report in September. The only changes under corporate grants was the additions of the Vulcan and Satterburg grants. Mr. Stone explained minor changes in the PTSA grants.

Director Blanford asked for additional information on the Vulcan Grant. Mr. Stone stated it was the grant going through the Seattle foundation and it was the Paul Allen foundation listed on the report which will need to be updated to reflect the current name.

Mr. Stone explained the notes for the FEL in the spreadsheet and the addition of the increase of preschools.

Director Harris asked if the district has received the hold back and performance pay of 25%. Ms. Toner explained we have only had an opportunity to get 3% so far this year based on the milestones. Mr. Stone explained last year we did meet all 25%.

Director Harris asked as milestones are met the funds come in and the 25% is broken down by each milestone. Ms. Toner confirmed that was correct.

Director Peters asked when the funds come in where do they go. Mr. Stone confirmed they are in a reserve account and when they are awarded we move them to the budget line for that 25% when it comes in.

Director Peters explained that they had been told something different, that the district has to pay the money up front and then reimbursed. Mr. Stone clarified it is budgeted up front but is not put into the budget line until the milestones are met.

Director Harris asked about looking ahead for next year if PTSA would be at \$4M. Mr. Stone explained it would depend on what went on with John Stanford and McDonald.

Director Blanford asked if the Mendor Grant Research Analyst was our position or a University of Washington position and is that sustainable. Mr. Stone explained that position is under research and evaluation, Dr. Anderson is running the data piece on this position. Mr. Stone explained the position has been put under the John Hopkins grant and it is time limited.

Director Harris asked if this would be the sort of grant that will have cost of administration added to it. Ms. Berge explained if it's not currently being charged then yes this would. Mr. Stone explained we are a sub-recipient of this grant. Ms. Berge summarized the process of this grant administration.

Director Blanford asked if all the funds are currently being used for salary what are the implications to someone recently hired. Ms. Berge explained how the budget would be reviewed, and each program would slightly be rolled back.

Director Peters asked about the indicators formally funded by federal grant money and Race to

the Top grants, which have ended. Mr. Stone will have to do some additional research on that. Ms. Berge explained it was paid for this year with PTSA funds. She suggested we can speak to the City of Seattle and other donors for possible funding possibilities. Mr. Stone explained the benefits of bringing Title IV back and how it will help many programs.

Director Harris asked for clarification on advance placement. Mr. Stone explained block grants are available through Title IV that would cover testing fees.

Director Peters asked if those funds are able to go towards a teacher being trained to teach and be qualified to teach those AP/IB classes. Mr. Stone explained guidelines are still being written.

Director Harris asked what are we doing to collaborate with the Superintendent of OSPI. Mr. Stone spoke about how he was on the District and School improvement group which worked to identify how to work with schools performing on the bottom 5%. The deadline to have the state plan approved is in April and the new Superintendent will possibly still be on the same timeline.

Director Blanford asked if our schools apply individually. Mr. Stone explained the block grants will be at the District level.

Director Harris asked how much change will the new superintendent have. Ms. Berge doesn't not know of any substantial changes he will be making.

#### 4. Informational Only: Internal Audit JSCEE Staffing Positions (Berge)

Director of Internal Audit Andrew Medina spoke about how on Tuesday December 13<sup>th</sup> at the Quarterly Audit meeting an agenda item will be presented to amend the audit work plan which will include this employee leave plan. Mr. Medina spoke about how a request from management after looking at data from a sub finder data to ESS there was some variances that need to be investigated. Mr. Medina explained they will also be looking at other employee groups that are also going full years without leave time.

Director Peters asked what brought this to the internal auditor attention. Mr. Medina explained it was due to variances at one school. It was also in an email from Director Geary. Ms. Berge spoke about how the finance department has done some initial review and once significant variances were found Ms. Berge requested an amendment to the audit plan.

Directors Harris asked if it is the employee or department responsibility. Mr. Medina explained based on the payroll administrative procedure it is the employee responsibility. Ms. Berge spoke about how this is the employee responsibility to insure proper time has been recorded and it is the Principal's responsibility to monitor that as the building leader. What we will be looking at is the time keeper's job duties as currently it seems to vary by building. A reminder email was sent to all employees that sub finder does not record the absences and remind them that it was their responsibility.

Director Blanford asked if timesheets require a signature. Ms. Codd explained it is not automated.

Ms. Berge explained no matter what system is in place it must be used appropriately and this was based on analysis based on the 2014-15 school year and the audit will be done for 2015-16.

Director Blanford asked if it was known how long this was going on. Mr. Medina explained the analyzing process happened right away and once the problem was discovered and HR notified we began. Ms. Berge explained we are determining if we are paying for sick leave we should not be paying for.

#### 5. State Auditor's Office Audit (Berge)

Assistant Superintendent of Business & Finance JoLynn Berge said the State Auditor's Office (SAO) will begin their work shortly. SAO typically offers an entrance committee to the Board members, Ms. Berge is suggesting we can bring the packet and have an informal meeting. She explained it is not typical to have all board members at an entrance with the SAO.

Director Blanford asked is that been done consistently in the past and he recently participated in a Risk Assessment, how is that different. Ms. Berge explained it had been done for the last few

years. A formal entrance conference is optional and the Risk Assessment is different, it is required by new auditing standards.

Ms. Berge explained the entrance conference would be done at Audit & Finance committee meeting or at a committee of the whole. Mr. Medina explained not every school district has that done.

Directors agreed to discuss and have it placed on the January agenda to have the new committee members decide if this needs to be done.

### **Regular Agenda**

#### 1. Monthly Financial Status Update (Fleming)

Director of Accounting Amy Fleming explained why both the September and October monthly financial reports were being reported on, it is due to year end reporting completed in August.

Ms. Fleming spoke about how in October a bump in revenue due to property tax collection is received. The fund balance will dwindle down over the next few months. Enrollment is a little higher but overall at the projected rate. Ms. Fleming reviewed the additional amounts in the adopted budget on page two of the report.

Director Peters asked if this amount was broken down by grade. Ms. Fleming confirmed it was by grade.

Ms. Fleming explained in the second month of the year accounting is trending as expected.

Director Blanford asked about the variance in vocation education. Ms. Fleming will do some research and get the information back to the board.

Director Harris asked what level of variance would be abnormal. Ms. Berge explained if we were trending 100 students under projection then that would be a concern. Ms. Fleming spoke about how accounting also looks at revenue and expenditures by categories.

Director Harris stated data is good but would like analysis, and are we meeting the need in running start/ high school. Ms. Berge explained Finance has not heard that.

Director Blanford asked if the committee should expect Finance to hear that, because while you give the numbers the analysis is done by another department. Ms. Berge explained it is a shared concern with enrollment planning.

Director Blanford explained a possible notes column would be a nice addition to the report.

Director Peters spoke about how she would like to see aberrations, trends and narratives.

#### 2. Monthly Budget Update (Berge)

Budget Director Linda Sebring spoke about the additional Parent Teacher Association meetings coming up in the next weeks. Director Harris asked if we are explaining to the public we cannot just say no and the supreme court will come to our rescue. Ms. Sebring explained how the Budget office is helping people understand why some of the decision need to be made. And she will be giving a report back after a few of the community meetings.

#### 3. Committee Annual Work Plan (Berge)

Assistant Superintendent of Business & Finance JoLynn Berge had no additional items.

**Break at 5:54pm**

**Oversight meeting resumed at time: 6:52pm**

### **Oversight Work Session: Finance**

Directors present were Directors Peters, Harris, Blanford and Geary

Assistant Superintendent of Business & Finance JoLynn Berge explained her goal was to provide oversight information for the oversight work session. She spoke about the organizational chart of the Business & Finance (B&F) department. Ms. Berge introduced her

direct reports on page 3. She reviewed slides 5-11 and gave a summary of each department that falls under B&F.

Director Harris asked how much crossover training does accounting have with individual schools as needed for Point of Sale (PoS). Ms. Berge explained the Accounting staff currently have an annual training 2-3 times a year. Accounting Director Amy Fleming spoke about how they have fiscal meetings with school fiscal staff to have additional feedback, and increase presence with new staff at the schools. Ms. Berge explained that customer service is a big focus for the Accounting department. Ms. Fleming explained she has done four schools visits since starting in August.

Director Harris asked if there is a way to move the PoS system development to begin sooner. Ms. Fleming explained her goal is to have Project Manager hired by January, then issue a Request for Proposal (RFP) and to move forward with necessary steps to have it completed. Ms. Berge explained Seattle School District has asked other Districts for their PoS RFP drafts to save us some time.

Ms. Berge summarized the Departments within the Finance Department, Budget, Capital Finance, Contracting Services and Payroll.

Director Blanford asked if our Payroll function is where it should be and what about performance. Ms. Berge explained Payroll is understaffed. Ms. Berge summarized some of the ways the Payroll Manager Elana Reuben is working on improving the processes within payroll.

Director Geary asked if we have SAP now and are we currently happy with that. Ms. Berge confirmed we do currently have SAP. Ms. Berge added in order to get something different it would have to be out of the next levy and it would be a large commitment. Ms. Berge explained SAP can function well, but may not meet our current needs. Ms. Berge explained additional pros and cons of SAP within a K-12 setting.

Director Blanford explained how this also aligns with what was discussed in the Operations Committee last week. Ms. Berge confirmed Finance is working with other departments to get as many interests and needs met.

Ms. Berge spoke about the Purchasing Department functions and how that department is also very customer service focused and aggregated purchases saves the District funds.

Director Peters asked what the new protocol is for schools to buy in bulk. Purchasing Manager Craig Murphy explained that was a question he and Accounting Director Amy Fleming could answer. It has to do with the employee reimbursement process and additional information will be available next week. Ms. Fleming summarized the reason for the updated protocol and how it was based on an audit finding. Director Peters would like a Friday Memo updated based on the outcome from the focus groups.

Director Blanford asked if the focus group would include teachers and fiscals. Ms. Fleming explained it would include fiscals, and communication would go out to Principals for teachers to receive.

Director Blanford explained why it is important to him that teachers have access to be reimbursed. Ms. Berge confirmed a group of Science teachers have requested a meeting with Accounting and that is in the process of being planned.

Ms. Berge spoke about some of the processes that Risk Management covers. Risk Manager Richard Staudt explained the main focus is on the students and schools.

Director Blanford asked Mr. Staudt if he and Legal were speaking about LGBT students and field trips. Mr. Staudt confirmed they are having conversations about that and are preparing answers for how the District will deal with those situations.

Director Harris asked about job safety analysis and working with labor partners to bring premiums down and accident prevention. She also asked about safe routes to schools for students, she wants to know who the analysis goes to. Mr. Staudt explained no major boundary changes were done this year, he did see what changes were made and he did provide input for the Genesee Hill change. Besides that, he was not given analysis for minor changes for this

year.

Director Harris asked if Mr. Staudt reviewing all changes should become a part of the formal process. Mr. Staudt agreed it should be, and explained some of the changes that have been made and he is currently on the city wide safety committee.

Ms. Berge explained on slide 14 how Business & Finance is working to stay LEAN without being under resourced and how to make sure systems keep up with the current century. BTA that was recently passed has helped significantly in order to get the PoS and Budget systems in place. Ms. Berge spoke about recent accomplishments from slide 15-16.

Director Blanford asked if metrics are kept on how many public records requests come through. Contract Manager Diane Navarro explained record of how many requests are kept by the Records Request Department.

Ms. Berge spoke about how Capital Finance Manager Melissa Coan has done additional steps to offer additional transparency.

Ms. Berge spoke on the items that Business & Finance struggles with is number of payroll overpayments and percent audit issues completed. Ms. Berge confirmed a plan is in place to work on these items. Ms. Berge spoke about department goals. She explained one big goal is to move all employees to have online access of pay stubs, this will save the District time and money. Payroll is working with DoTs to find alternative solutions to the current cost of having the access in SAP for all employees.

Director Geary is nervous about a work around, and not using the security of the access we currently have.

Ms. Berge spoke about having zero audit findings and having good audit reports for the last few years. She explained in an organization this big unknown items can be occurring, and we are working on making sure we get in front of any issues ahead of any findings. Ms. Berge summarized slides 22-23, and explained almost all of the Finance staff are Central Administration, except a few people that work in Capital are charged to the capital fund.

Director Harris asked whether the fiscal specialists that work with the schools are Central Administration. Ms. Berge explained they are school staff and they are allocated in the Weighted Staffing Standard (WSS).

Director Blanford asked if we are putting anyone we can in Capital. Ms. Berge confirmed that is correct, with cost allocation plan and appropriate documentation to support it.

Director Peters asked what is the cause for the dip in the audit issues resolved. Ms. Berge explained the issues are not considered resolved until they are closed. In order to close them we need resources which we may not have.

Director Blanford stated the Percent of Prior Years' Audit issues resolved is not useful because some audit findings are big and some can be small but can be equal to a large one. Ms. Berge explained some of these performance measures were inherited and she will be looking at them in the coming year for possible adjustments.

Ms. Berge explained on slide 23 of the \$46M in the general fund \$8.5M is within Business & Finance and \$8.3M of the adopted budget. Ms. Berge summarized 2014-15 benchmarking.

Director Harris asked if we have additional complexity due to the size of the district and this is only a snapshot and complexity and weighting is not counted. Ms. Berge confirmed that is correct slide 24 just shows the numbers and based on the F196 financial reporting. She also explained if the District is an activity 13 based on the State Accounting Manual this is where the data is being pulled from.

Director Harris asked who decides the categories in the State Accounting Manual. Ms. Berge explained it was the School District Accounting Advisory Committee.

Director Blanford asked this is different than the Council of Great City Schools, correct. Ms. Berge confirmed that is correct.

Ms. Berge summarized slides 25-27. Slide 26-27 are basic controls any type of business would have. Ms. Berge reviewed Major contracts within the division.

Director Blanford asked if ESD112 is Puget Sound Educational Service District. Ms. Berge explained those were different, and this one is the one out of Vancouver. She explained ESD112 offers bond counsel. Ms. Berge explained BEXIV projects they have offered us financial advice for these projects. Capital Projects Finance Control Manager Melissa Coan spoke about a cash flow deficit with BEXIV.

Director Harris asked if the District does an RFP for law firms for levy work. Ms. Sebring spoke about how we do not usually do so. Director Harris added this is a competitive area. Ms. Berge explained that not for K-12, this is a specialized area.

Ms. Berge spoke about the next steps in the coming year. Highlights are PoS system, Fixed Assets system, budget development system, electronic contract routing process, online payment statement and update the accident prevention plan.

Director Harris asked what is a Fixed assets system. Ms. Berge explained it was items the District needs to have tagged.

Ms. Berge spoke about the B&F Department is working on Goal 4 WSS and budget priorities. The management team is discussing ways to continue to work towards this improving process, accountability and customer service with limited resources.

**Meeting was adjourned at 6:49pm**