

# Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3<sup>rd</sup> Avenue South, Seattle, WA 98124



## **Audit & Finance Committee Meeting Minutes Tuesday, October 6, 2015 4:30 – 6:30 pm**

### **Call to Order**

Director Martin-Morris called the meeting to order at 4:30pm.

School Board members present were Directors Martin-Morris, Peters and Director Blanford arrived at 4:34pm.

Staff members present were Assistant Superintendent for Business & Finance Ken Gotsch, Associate Superintendent Flip Herndon, General Council John Cerqui, Assistant Superintendent Human Resources Brent Jones, Accounting Manager Kathie Technow, Interim Director of Grants, Fiscal Compliance & Strategic Partnerships Michael Stone, Manager Purchasing and Small Works Craig Murphy, Contracts Manager Diane Navarro, Manager Senior Project Wendi Walsh, Manager Early Learning Eugene Gousie, Director Early Learning Cashel Toner, Facilities Operations Program Manager Kathy Johnson, Director of Internal Audit Andrew Medina, Senior Capital Auditor Kimberly Fry, Internal Auditor Alphonso Melton, Manager, Classification & Compensation Sandra Philbrook, Assistant Superintendent for Operations Pegi McEvoy, Manager Financial Forecast Kevin Kent

### **Approval of Agenda**

Director Martin-Morris moved to approve the agenda. Director Peters seconded. The agenda was approved.

Director Martin-Morris moved to approve the August 13, 2015 meeting minutes. Director Peters seconded. The minutes were approved.

### **Items Requiring Board Action on October 7 and/or October 21, 2015**

#### **1. Garfield/ South Shore Property Exchange with Park (Skowyra/ Johnson)**

John Cerqui spoke about the staff request to approve the exchange of property with the City of Seattle. Mr. Cerqui spoke about the properties being exchanged: District-Owned Property located at South Shore Elementary was being exchange for City-Owned Property located at Garfield Playfield, with an related easement, a potential 58-year Lease of District space in the Garfield gym to the City of Seattle Parks. Mr. Cerqui spoke about waiving the lease agreement provisions in Board Policy No. 6882.

Directors asked for clarification on what exact provisions in Policy 6882 needed to be waived. Mr. Cerqui indicated that he would provide a separate memo to the board on that topic prior to introduction.

Directors asked how buildings are being constructed prior to having the legal transfer completed. Dr. Herndon answered that his department is working on cleaning up complicated joint use spaces to avoid this situation moving forward.

**The Committee moved this item forward for consideration by the full Board**

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2. Resolution 2015/16-10 Capital Levy (Herndon)

Flip Herndon spoke about resolution for the BTA capital levy that will be on the ballot in February 2016. Mr. Herndon spoke about the community meetings and timelines during this process. The community is continuing to give feedback and any given will be included as they prepare to present to the Board. The revenue for this motion is a six-year property tax levy. Directors asked about general feedback from the community. Mr. Herndon spoke about feedback was mostly regarding capacity measure at Mercer middle school. However, not much feedback on size of the levy and the various categories, Include any additional feedback, last meeting was last week, Directors asked about John Stanford Center building and how does it fit in the levy. Mr. Herndon spoke about the debt service has been looked at, a payment schedule of the debt service has been suggested, the District is looking at spreading it out over 3 levies. Directors asked if community feedback from Schools First had been received and would be leading the levy campaign. Mr. Herndon spoke about not having heard anything specific from Schools First. Directors asked if there is a general concern about the number of levies out there. Mr. Herndon spoke about regarding our levy we do not have the same concerns. In our levies we have added as much specificity as possible and in our projects have been worked on in detail. We have itemized our list as well.

**The Committee moved this item forward with a recommended to move forward to the full Board for approval.**

3. Resolution 2015/16-9 Operations Levy (Gotsch/ Kent)

Kenneth Gotsch spoke about our budget is built on the assumption we are taking full advantage on what the law will allow us to do. Mr. Gotsch spoke about how Seattle Public Schools is currently at the lowest rate in the districts in King County. Impact of the board and legislatively, Directors asked will the deficiency come in year two and three. Mr. Gotsch spoke about the largest portion will be in year two and three. The per-pupil inflator will be in year two. Year three will be per pupil inflator and levy cliff will be included. Directors asked what is the significance and status of charter schools in the levy base. Kevin Kent spoke about the charter schools being out and now they are in for 3 months while the charter schools are appealing, they have been included because they are currently in and we have to pay Charter Schools their share of the levy if they win the appeal. Directors asked what will occur if charters no longer continue. Mr. Kent spoke about a scenario example if the student enrolls here, then that would be included in our state revenue that would increase our levy dollars. If the student goes to a private school then we would not receive the levy dollars. Directors asked what point do we have done all we can. Mr. Kent spoke about the budget office is optimistic until we know for sure, currently we are assuming charter school. The ghosting has been extended once already, these are dollars we do not want to leave on the table. With our last few levies we have been in the 70% and we only need 50% plus 1 vote to have it passed.

**The Committee moved this item forward with a recommended to move forward to the full Board for approval.**

4. Resolution 2015/16-7, Certification of the Operations Levy collection amount for 2016 (Gotsch/Kent)

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Kevin Kent spoke about approved amount of 196 million voter approved amount. The current estimate is good but we will be waiting for the final amount. We will have the numbers by the time it's introduced.

## **The Committee moved this item forward with consideration by the full Board**

### **Special Attention Items**

#### **1. 2015-16 Draft Coaches Salary Schedule (Jones)**

Brent Jones spoke about item was approved for the 2014-15 budget. Item under 250k, Ms. Byrd-Pina spoke about salary schedule for coaches salary.

Directors asked how much does this add up to. Mr. Jones spoke how the total is 199k.

Directors asked if the purpose to bring these items up is to remain competitive with other districts. Mr. Jones stated that was correct and this is a long time coming

Director asked what is the increase amount and how long has it been since an increase occurred. Mr. Jones spoke about how it is a 17% increase and it is a significant increase and the coaches haven't had an increase in at least 8 years.

Directors asked if Assistant Superintendent Business & Finance Ken Gotsch had additional comments. Mr. Gotsch spoke about being pleased this item is moving forward and the benefits it will have for coaches.

#### **2. Temporary Staff Services Master Contract (Walsh/ Navarro)**

Wendi Walsh spoke about the update to the temporary services roster update. Diane Navarro gave background on why we use the roster. Ms. Navarro spoke about how the roster originated out of DOTs when a small project needed to be filled. Ms. Navarro spoke about when the District has smaller dollar items this is for temporary to fill staffing needs. Request for Quote (RFQ) was done last year and 11 firms were confirmed. Out of the current 11 firms we are using 4. Ms. Walsh spoke about how currently the contracts are for tech and business staff. Ms. Navarro spoke about the largest dollar amount was \$78k, all these small contracts are treated separately, by doing this it allows for the most accurate tracking of dollars being spent. Ms. Navarro spoke about if a contractor ever got to \$250k then we would bring it to the board, so far we have not seen that as situation.

Directors asked about if Murphy Associates they are \$250k does that come to the board.

Mr. Gotsch spoke about if we know a category of vendors will \$250k we can bring towards to the board informally in committee meetings.

Directors asked when does the clock start and stop on these amounts. Ms. Navarro explained they are on the fiscal year.

Directors ask if it would be possible to have a separate column that point out minorities and women owned business. Ms. Navarro spoke about how that column could be added.

Directors asked how is the District informing women, local and minorities business of RFP/RFQ's.

Mr. Gotsch and Ms. Navarro spoke about how we are currently attending monthly Tabor 100 meetings, a business network of local and minority businesses, to help market the District's current projects.

#### **3. Economic Stabilization to include in CEP Fund (Technow)**

Kathie Technow spoke Director Carr requested we change from Minimum Fund Balance to Economic Stabilization. The general fund is different and more open than the capital fund. The capital fund is specific. Ms. Technow spoke about how resolution is in place for the eligible in the capital fund. The difference in this would still be in the restricted funds. Ms. Technow spoke

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about in general fund if we do not have this restrictions then the amount would fall into unassigned. Ms. Technow explained that the statement in Capital funds that says the board of directors have to approve the use of the funds. Ms. Technow spoke about being recognized by changing the terminology Community CEP under the economic stabilization. The capital is already restricted where the general fund is not restricted. Directors suggested Ms. Technow use the Friday memo to communicate this follow up.

### **Regular Agenda**

#### **1. Monthly Financial Status Update (Technow)**

Kathie Technow spoke about financials for July 2015, the General Fund ending fund balance was \$53.4M. Ms. Technow spoke about how this compares to \$44.6M for last year at this time. Fund balance normally peaks in April and October each year when property taxes are received. Enrollment for the year of 50,246 is less than the adopted budget for 2014-2015 by 218 FTE. Note that this is 1,229 higher than the previous year. Ms. Technow spoke about how revenues were \$591.5M through July, compared to \$552.4M last year. Most of this is due to Property tax collections continue to increase, with this year \$12.8M greater than last year at this time; collections through June exceeded the total annual budget for 2015. Ms. Technow spoke about state revenues of \$341.1M are up approximately \$27.3M over the previous year, reflecting increased enrollment and increased transportation allotment. Ms. Technow spoke about the expenditures of \$590.2M were up \$33.3M over the previous year due primarily to increased certificated and classified staff expenses, as well as special education expenditures. Ms. Technow spoke about the Capital Projects Fund balance at the end of July was \$175.4M compared to \$134.7M in the prior year. Fund balance is comprised primarily of BEX IV (\$84.6M), BTA III (\$61.6M). Revenues were \$169.8M, consisting primarily of property taxes from the BEX IV levy (\$116.0M) and the BTA III levy (\$45.0M). Expenditures of \$85.2M were comprised principally of BEX IV (\$60.5M) and BTA III (\$15.4M). Ms. Technow spoke about The debt Service Fund in July 2015 the fund balance was \$6.8M. The balance has increased this year as we establish a sinking fund for the 2010 Qualified School Construction Bond (QSCB) (\$17.5M) that is due in total in 2017. The QSCB we only pay the principal. Ms. Technow spoke about The Associated Student Body Funds represent monies raised by student groups for cultural, athletic, recreational and/or social purposes. Fund balance at July 2015 was \$3.69M compared to \$3.2M in 2014. For the current year, revenues and expenditures were \$4.9M and \$4.8M, respectively. Ms. Technow spoke about the Trust Fund accounts are monies donated to the District for private purposes, primarily scholarships, and are governed by individual agreements. The fund balance remains at \$1.9M. Ms. Technow spoke about the next report for August will be in given at the November meeting.

#### **2. ~~Monthly Budget Update (Gotsch/Sebring)~~ Removed from agenda**

#### **3. Monthly Human Resources Update: Title IX (Jones)**

Brent Jones spoke about he is currently acting as an interim Title IX position. Mr. Jones spoke about two cases came to the attention of the title IX office. Neither required further support on the title IX office and have been handled and resolved by the schools principals. Mr. Jones spoke about search to hire two positions. For the Civil Rights Compliance Officer position an offer has been made and accepted. Mr. Jones spoke about the Title IX position interviews have been completed and an offer should be made soon.

#### **4. Monthly Grants Update (Stone)**

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Michael Stone spoke about a lot of grants that have been up for renewal. Mr. Stone spoke about 10% for sequestration was taken off. Mr. Stone spoke about 31 million put into specific programs some was held on to for bargaining. IDA is back up because 3 million hold back up, Federal competitive the high school graduation does have a no cost carry forward and TIFF. Decrease in SIG grant for Rainier Beach. Mr. Stone spoke about the State did provide Aki Kurose and Rainier Beach USTI dollars for an additional 2 years. Mr. Stone spoke about how Math science is also down a bit. Pitch grant is decrease because a lot was spent in the first few months, for our early learning, \$60k for the next 2 years. Mr. Stone spoke about LAP had a decrease due to drop in reduced lunch level we are down 4%. Additional priority schools amount they were allocated for state dollars. Mr. Stone spoke about how Diplomas contract now has ended by the schools are using other funds to keep that program going at the schools. Mr. Stone spoke about the total in grants for the district is \$70 million.

Directors asked if Lipton Springs flood reduction is really a capital item. Mr. Stone spoke about how it is really Capital but it was decided that grants wanted to have it reflected because it is a grant coming through the District.

Directors asked who is currently in charge of Title I. Mr. Stone currently is in charge of Title I and is working on a plan to find a replacement since he has moved into a new position.

Directors asked if the SIG grant tied to principal, particularly since Rainier Beach principal is leaving. Mr. Stone confirmed that the SIG grant is not connected to the principal.

Directors asked if the McKinney-Vento grant show the amount of homeless students. Mr. Stone explained no the formula does not reflect how many homeless students we have in the district, although the percent of homeless students is increasing. We also apply Title I dollars for the homeless students.

Directors asked about on Page 3 of the report the "TBD teachers residency" amount was bigger last year and if funds sufficient to maintain that. Mr. Stone explained no the amount was not bigger it was coming from race to the top. Mr. Stone spoke about if we do not grow then yes, Mr. Stone will follow up with Clover Codd on TBD.

#### 5. Monthly Procurement Update (Murphy)

Craig Murphy spoke about how the Purchasing department has been reorganized and is now in Business and Finance division. Mr. Murphy spoke about how the Purchasing department is a staff of 6 and does close to \$80 million in business per year. Mr. Gotsch spoke about the annual savings amount by having the purchasing department staff.

Director Harium Martin-Morris asked about P-Cards, do we have a plan on moving forward/expanding our current small fleet of cards. Mr. Murphy spoke about how the district has had a small scale trial/pilot of P-Cards at schools. Our current 100-150 card fleet is mostly used in Facilities, and some in schools. We do not have the current man power to move that forward today. Mr. Murphy spoke about how the purchasing department wants to have the infrastructure in place prior to launching it on a larger scale. One thing that would be needed is a staff person to complete the P-Card customer experience. Mr. Murphy (and Kathie Technow in Accounting) suggested that the small rebate the District receives from P-Card transactions could be used to partially fund an FTE for P-Card management. Mr. Murphy spoke about desire to meet the Superintendent goals on customer services, and how this building provides services to the schools. One way a lot of problems can be addressed could be to improve customer service to the schools would be to expand the P-Card program. This is one reason why we should consider funding a position to professionally manage a District-wide P-Card program.

#### 6. Monthly Head Start Financial Report Update (Gousie/Toner)

Cashel Toner introduced Eugene Gousie Manager Early Learning

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Cashel Toner spoke about recruiting for the position of Manager Early Learning. Ms. Toner worked with Head Start families and staff and then compiling all the feedback and had the interview team. Eugene Gousie was hired as the Manager Early Learning. Mr. Gousie spoke about Head start final rule eligibility.

Directors asked if the District has had much fraud in Head Start. Mr. Gousie explained not in our state.

Directors asked what started that investigation. Mr. Gousie spoke about a finding a few years ago in another state found to be doing fraudulent acts. Mr. Gousie spoke about why the directors needed this training and for a program that receives the funding like Head Start does an needs to be done. Mr. Gousie explained that after the elections he will do this presentation again with the new board members

Directors asked what is the Head Start numbers for this year. Mr. Gousie spoke about the current enrollment is at 95% of full. 408 of 430, some impact with the few days we had off, we should be full by the end of the month.

### **Internal Audit**

#### 1. Internal Audit Update (Medina)

Andrew Medina spoke about two new certifications in the department with Mr. Medina receiving the LPEC (Leading Professional in Ethics and Compliance) certification and Kimberly Fry receiving the CCA (Certified Construction Auditor) certification.

- Annual Risk Assessment and Audit Plan (Medina/Fry)

Andrew Medina spoke about the Non-Capital Internal Audit Plan. Mr. Medina Spoke about two minor changes from what was presented at the August Audit & Finance Committee meeting Mr. Medina spoke about custodial overtime being added to the secondary priority column in response to recent concerns raised in this area. Mr. Medina spoke about by adding the item as a secondary priority, it allows internal audit to conduct an audit if any of the concerns escalate. Mr. Medina spoke about child nutrition services being moved from the primary to the secondary audit priority column due to an external review planned by OSPI. All other items are consistent to what was discussed previously.

Directors asked if all board members have provided input on the audit priorities. Mr. Medina spoke about reaching out to all board members, and that each one provided feedback on either the capital or general fund audit plan.

- Accuracy and Reliability of Financial Reporting – Capital Programs (Fry)

Kimberly Fry stated this was a clean audit with no findings. Ms. Fry spoke about the two objectives of this audit: 1) Capital prepares a monthly financial report of capital programs and distributes it to the Operations Committee. The first objective was to ensure the information in the reports is accurate and reliable for the purposes of oversight and decision making. 2) Since Accounting also prepares a monthly financial report for the Audit and Finance Committee, the second objective was to ensure there is no duplication of staff effort when preparing the two reports. Ms. Fry stated that the first part of the background section of the audit report explains the Capital Projects Fund and its sources and uses—where the district gets the revenue and how the district can use it. Ms. Fry spoke about the next part lists the capital programs that comprise the fund; these are the programs reported on each month and were the focus of the audit. Ms. Fry pointed to the lists the objectives and summarizes on page 2 the procedures performed to accomplish them. Ms. Fry spoke about her conclusions. The Capital Programs Monthly Summary Reports are accurate and can be relied upon. The report from Accounting is a report of all district funds, including Capital Projects. Ms. Fry spoke about the consistencies

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between the two reports but no evidence of duplicated efforts in the preparation of the two reports.

- Vehicle Fleet Operations Follow-up Audit (Melton)

Alphonso Melton spoke about the Vehicle Fleet Operations follow up audit. The original audits (Transportation and Maintenance) were presented in March 2013, and the non-fleet follow-up audits were presented in June 2015. Background was given regarding the recommendations made to fleet and why the fleet portions of the audits were combined. Mr. Melton stated the original audits included sixteen recommendations and ten have been resolved. Finding and recommendations summary was given. Mr. Melton spoke about the five findings and recommendations; Vehicle mileage log, Vehicle Maintenance, Drivers' License Verification, Vehicle Authorization Forms, Vehicle Assignment Methodology.

Mr. Melton spoke about the management responses for the five mentioned items. Management has agreed that there is room for improvement in those areas.

Directors asked if employees must disclose any incident that occurs outside of working hours.

Mr. Melton stated this is part of the Driver's License Verification recommendation, that if employees receive any infraction they should tell the district.

### **Adjourn**

The meeting was adjourned at 6:30 pm

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