



SMMUSD Financial Oversight Committee – Minutes - Amended

Date: Tuesday, February 9, 2010

Time: 7:00 pm to 9:00 pm

Location: Testing Room, SMMUSD Admin. Offices

1651 16th Street/Santa Monica, CA 90404

Attendance: (*Committee Members*) Joan Chu Reese [*Vice Chair*], Patricia Hoffman, Gordon Lee, Nimish Patel, Paul Silvern, Cynthia Torres [*Chair*], Carrie Wagner. (*Staff*) Jan Maez, Dawn Smithfield. (*Board Liaisons*) Jose Escarce and Ralph Mechur; Ben Allen.

Absent: *Craig Hamilton and Manel Sweetmore.*

I. Call to Order

The meeting was called to order at 7:06 p.m. by Ms. Torres.

II. Approval of Minutes 1/5/10

A motion was made by Mr. Silvern and seconded by Mr. Lee to approve the Minutes, as amended. Motion passed unanimously.

III. Staff Report: Chief Financial Officer Janece L. Maez (*Limited Discussion*)

A. **Budget Update:** Ms. Maez updated FOC members about the 1/30/10 Board Budget Workshop which presented potential reductions. She indicated that there were a few changes, including an additional athletic reduction, and Samohi site administration and corresponding clerical support position. The total projected deficit for the 2010-11 fiscal year is \$14.5 million, with anticipated further reductions in the Governor's Budget. The furlough days included in the collective bargaining settlement with the bargaining units reduce the projected deficit amount. Superintendent Cuneo and Senior Cabinet have had several meetings with District staffs and parents' communities regarding the budget situation. These meetings averaged 75 people at each meeting.

B. **Status of Negotiations:** Ms. Maez explained that the AB 1200 for both SMMCTA and SEIU will be discussed at the 2/18/10 Board Meeting, and will be submitted for approval at the 3/4/10 Board Meeting. Both groups agreed to 5 furlough days in 2009-10 and 5 furlough days in 2010-11, one of which is a pupil-free day. There are no changes to employee health benefits until January 14, 2012, but a health benefits committee is being formed to explore health benefit options. SMMCTA members are being offered an early retirement incentive, but at least 15 teachers must apply or it will be withdrawn. Two options are being offered for this incentive: Option A: cash out; or option B: they must be 55 years old, have been with the District for 10 years, and will receive medical benefits after age 65 for a minimum of 5 years. The amount of cash out in Option A and number of years for medical benefits in Option B depend upon the number of teachers who retire. The intent of the retirement incentive is to avoid teacher layoffs. No revenue from ADA will be lost due to furloughs because the State has allowed schools to reduce the school year to 175 days. At the 2/18/10 Board Meeting, the Board adopted a resolution to notify employees of possible layoff notices. Individual employee numbers will be listed at the 3/4/10 Board Meeting. Certificated early retirement incentive responses are due 3/3/10. The Board is moving forward with expenditure reductions recommended in the reduction plan.

IV. Update from Subcommittees - Due to a lack of time, there were no reports.

- A. District Revenue Enhancement (*G. Lee, J. Chu Reese, C. Torres, C. Wagner*)
- B. Review of Special Education Budget (*C. Hamilton, P. Silvern*)
- C. District Financial Strategy (*P. Hoffman, N. Patel, M. Sweetmore*)

V. Measure BB Update - Due to a lack of time, there was no update.

VI. Discussion/Action Items

A. Review of 2008-09 Audit and Measure R Audit Reports (*Nicole Guzman, Auditor-NNW*): Ms. Maez introduced Nicole Guzman, who is in charge of the annual, Measure R, and Measure BB audit reports. Ms. Guzman first reviewed the Measure R audit report, noting that no administrator salaries are used from these funds. As part of her audit process, she verified that the revenues and expenditures agreed, interviewed staff members who are involved with Measure R, and also verified information with Los Angeles County. The audit process includes verifying segregation of duties, oversight, and ensuring that expenditures tie to the general ledger and testing those on a sample basis. Expenditures were checked against the Measure R language. Ms. Guzman noted that the Measure R funds were mainly used for teacher salaries, which were corroborated by personnel files, invoices, and supporting documentation. There were no exceptions noted, the internal controls are good and the expenditures allowable.

It was requested that future Measure R audit reports contain a comparable revenue page in addition to the expenditure page. The Annual Plan for the Measure R budget is prepared each year, but changes occur during the year, and an explanation of why that occurred should be included. It was suggested to establish a 10% threshold of variances, which should be flagged and explained. The 2010-11 Annual Plan will be agendaized for the next FOC meeting.

Ms. Guzman reviewed the annual audit report, explaining that NNW meets with staff twice per year: they review testing, attendance and ASB in the early part of year and year-end statements at the end of the year. The ~~audit~~financial statements are materially accurate. All Funds ended with positive balances. However, the auditor did identify certain deficiencies in internal control over financial reporting that they consider to be significant.

The Schedule of Audit Findings and Questioned Costs included: the lack of segregation of duties at the Adult Education site for cash receipts; lack of adequate controls and incoming cash documentation for ASB funds at Samohi and John Adams; the need for attendance training for school site staff; the need for matching of textbooks sufficiency and SARC (*School Accountability Report Card*) reporting; and, the need for proper attendance accounting procedures and internal controls at John Adams using the web-based attendance system. The State requires that teachers take daily attendance and enter attendance data into the system, then print weekly attendance reports and sign them. When Ms. Guzman audited the daily reports, she found several teachers had not taken attendance, nor did they have manual records or teacher rosters. The school's site supervisors did not review these reports on a regular basis, as required. In addition, there were system issues with some teachers being unable to log in and others who didn't enter the data to show that all students were present. These errors could cost the District all the average daily attendance (ADA) for John Adams for the 2008-09 year. As a remedy to ensure that proper attendance accounting occurs going forward, an all-day accounting training

workshop was held in October with attendance clerks and site administrators being instructed by the auditors, and Information Services and Fiscal Services staff. Very specific training and monitoring at John Adams has since taken place to ensure that teachers understand their responsibility. When all students are present, teachers must enter and record students as “all present” so that when the assistant principal is verifying the attendance, he knows that the attendance has been taken properly. Currently, the bi-weekly attendance reports are being printed and signed by teachers on a regular basis. The attendance clerk is tracking and maintaining this documentation.

Ms. Maez indicated that the District has received a letter from the CDE and we’ve responded with what controls have been put in place. There is a potential loss of over \$5.8 million. **Ms. Maes noted that any required recovery will probably be spread over several years.** This has also been noted by LACOE in response to the AB 1200 that was submitted. There is an appeal in process to appeal this audit finding. We may need to revise the P2 report from 2008-09. The auditors will return to John Adams in March to review audit attendance. The relationship between enrollment and attendance was within 1% of the previous year. It was suggested that a spot-check be done at every school at least once per month. Ms. Guzman stated that other districts have staff perform a “pre-audit” by visiting sites regularly. Ultimately, the responsibility falls on site administrators and they understand the importance. Fiscal staff is doing more internal auditing. FOC Members were very concerned about the attendance finding and the **potential** ADA cost. They felt there should have been consequences for those teachers who didn’t take attendance, and that a procedure is needed to establish consequences for those teachers whose names appear more than once who are found not to have completed the required attendance reports. Dr. Matthews also has had serious conversations with the John Adams staff, stressing the importance and their responsibility for taking attendance properly. Elementary sites still take attendance manually, then enter that information into the web-based system. The Committee met with the auditor without staff present.

It was suggested that more monitoring at middle and high schools take place, since those schools are larger and attendance could be affected on a greater scale. Members invited Ms. Guzman to return to the FOC meeting on 4/13/10.

B Preparation for 2/18/10 Board Budget Workshop: The workshop has been moved to 3/4/10 instead of 2/18/10. A member suggested that the workshop be delayed to 3/18/10 because the 2009-10 2nd Interim Report and layoff notices are already agendaized for 3/4/10. Superintendent Cuneo may want the revenue enhancement discussion to be held until June, after the results of the 5/25/10 parcel tax election. Ms. Torres noted that the information at the 3/18/10 workshop could include the strategic plan for expenditure reductions, with an emphasis on the importance of the parcel tax. At that time, there may be additional areas of reduction to suggest to the Board. Ms. Maez will speak with Superintendent Cuneo regarding the date change. This will be agendaized for the next FOC meeting.

C: Follow-Up Meeting between Senior Staff and Revenue Enhancement Subcommittee: They have continued to meet and discuss possible revenue enhancements.

D. District Cost Reduction Strategies: This is being tabled to the next FOC meeting.

E. Strategic Plan Process: They have met once, with a lot of community involvement and participation. So far, 40 interviews have been conducted with students, teachers, parents, and community groups. They're in the process of reviewing what the District is doing well and what can be improved. An environmental scan will take place, along with interviews for aspirations, focus for schools and "big picture" ideas. The next meeting will be a summary of the interviewing process and ideas that have evolved from that process. There will be additional public meetings.

F. Update on Emergency Temporary Parcel Tax: The day-to-day campaign manager, Devon Osiri, is in place. Laurie Lieberman is chairing the fundraising committee on which ~~both~~ Mr. Patel ~~and Mr. Silvern~~ also serves. Mr. Silvern is ~~also~~ on the executive committee of the campaign. He explained that telephone banking will begin within the next few weeks. Fundraising efforts have begun, and volunteers are needed to publicize the campaign prior to Spring Break. Ballots will be mailed out 4/26/10 ~~for the~~ and are due no later than 5/25/10 ~~Special Election~~.

G. Comparisons with Other School Districts for Budget Reduction Strategies: The following members researched other school districts' websites for ideas on budget reductions and shared that information at the meeting: Irvine USD (*Mr. Silvern*), Palo Alto USD (*Ms. Torres*), Palos Verdes Peninsula USD (*Mr. Lee*), Piedmont USD (*emailed by Mr. Hamilton*) and San Marino SD (*Ms. Chu Reese*). This item will be tabled until the next FOC meeting when the remaining FOC members will share their research. After researching other school districts' websites, one member said he's impressed with the transparency on SMMUSD's website.

H. Follow-Up on DecisionInsite Report from 1/14/10 Board Meeting: Due to a lack of time, this will be agendaized for the next FOC meeting.

VII. Receive and File (*Limited Discussion*)

- Updated FOC Roster
- School Services of California, Inc: *Fiscal Reports (1/15 and 1/29/10)*

VIII Public Comments

None

IX. Agenda Planning for Next Meeting

March 9, 2010

March 18, 2010 (*Board Budget Workshop*)

X. Adjournment

Meeting adjourned at 9:46 pm