

Tucson Unified School District No. 1  
Governing Board Audit Committee Meeting  
Board Conference Room, Morrow Education Center  
1010 East Tenth Street  
Tucson, Arizona 85719

March 27, 2015  
2:00 p.m.

MINUTES

**Committee Members Present:**

Jimmy J. Lovelace, Chair  
Charles M. Kill – *arr at 2:10 p.m.*  
Lori K. M. Cox

**Committee Member Not Present:**

Karla Soto, Chief Financial Officer

**Others Present:**

Kevin Startt, Director of Purchasing  
Mary Alice Wallace, Director of Staff Services to the Governing Board  
Michael Hicks, Governing Board Member – *arr at 2:46 p.m.*

ITEM

ACTION

**Call to Order**

Jimmy J. Lovelace called the meeting to order at 2:03 p.m.

Mr. Lovelace announced that Items 6 and 7 would be tabled since Karla Soto and Julie Tolleson could not attend due to a deseg meeting, and that Item 5 would be tabled since Stuart Duncan was unable to attend.

When Mr. Kill arrived, Mr. Lovelace brought him up to date on the tabling of items 5, 6 and 7.

**Call to the Audience**

No Action.

There were no persons wishing to speak.

ITEM

ACTION

ACTION ITEM

1. January 23, 2015 Minutes

Chuck Kill moved approval, Lori Cox seconded. Approved unanimously in a voice vote.

INFORMATION ITEM

2. Introduction of Governing Board Members/Superintendent

Not addressed.

STUDY/ACTION ITEMS

3. Charter of the Governing Board Audit Committee (revision) from the February 10 and March 10, 2015, Regular Governing Board Meetings

Addressed after Item 4 below.

4. RFI No. 73 – After-the-Fact Purchases (Follow up from Committee questions at the January meeting)

No action.

Mr. Lovelace stated Item 4 would be addressed first since Mr. Startt was present. In response to his inquiry concerning who Julie Riebe, Sarah Tarin and Tracy Winfield were, since they were copied on an e-mail, Mr. Startt responded that Julie Riebe was the Office Manager in Purchasing, Sarah Tarin was Karla Soto's Executive Assistant, and Tracy Winfield was Stuart Duncan's Executive Assistant.

Mr. Lovelace introduced the item and reviewed the purpose of this item which was to address questions that were asked at the January 23<sup>rd</sup> committee meeting related to after-the-fact purchases.

Mr. Startt presented information on the "Mandatory Training on Procurements, Vendor Relations & Public Records" that is required of all employees who deal with vendors, with the exception of possibly bus drivers, crossing guards and similar type employees. He explained the training is available through the on-line Professional Development portal on True North Logic which produces a certificate for each person who has completed the training. He further explained that new employees are given a document at orientation which they

ITEM

ACTION

STUDY/ACTION ITEMS (continued)

4. RFI No. 73 – After-the-Fact Purchases (Follow up from Committee questions at the January meeting) (continued)

must sign indicating they will complete training in 30 days, and the document is put in the employee's personnel file. **A copy of that document is attached and made part of these Minutes.**

Mr. Startt responded to Mr. Kill's questions regarding a mandatory training policy, discipline for employees who make purchasing errors, notification of vendors on who is authorized to obligate the District on purchases, and lists of contracted vendors and required documents. Mr. Startt indicated all purchase orders must be signed by the Director of Purchasing. He further indicated he would consult with the Chief Financial Officer and Legal Counsel on the possibility of having a Board policy concerning mandatory training.

In response to Ms. Cox's questions on how long new employee orientation was and whether the purchasing training could be incorporated into the orientation, Mr. Startt explained the obstacle to doing that was technology accounts are not set up for new employees until after orientation.

Mr. Startt expressed appreciation for the advice provided by the Committee and offered to return in the future if the Committee needs more information.

3. Charter of the Governing Board Audit Committee (revision) from the February 10 and March 10, 2015, Regular Governing Board Meetings

Addressed out of sequence. No action.

Mr. Lovelace reviewed the timeline for the revision of the Audit Committee charter which was approved by a vote of 3-2 at the March 10, 2015 Governing Board meeting. He indicated the Committee was not given an opportunity to provide comment on the proposed revision before it was approved. He expressed concern regarding points:

- 1) Recommendations for the Charter changes were not in accord with best practice from the American Institute of Certified Public Accountants, Inc. (AICPA) *Audit Committee Toolkit*. (Copy of cover page attached and made part of these Minutes.)
- 2) Residency in the District is now required which was not before.

ITEM

ACTION

STUDY/ACTION ITEMS (continued)

3. Charter of the Governing Board Audit Committee (revision) from the February 10 and March 10, 2015, Regular Governing Board Meetings (continued)
  - 3) Specific language authorizing the Committee to submit Requests for Information is not in the revised Charter.
  - 4) Procurement of the external auditor for the District was in accordance with best practice in the original Charter. It has been changed in the revision and does not meet the standards. When the RFP for the external auditor was last awarded, the District did not follow the Charter of record at the time. Mr. Lovelace stated for the record that he expressed his opposition to the process at the time and requested this statement be reflected in these Minutes.
  - 5) The manner in which the agenda is set has been changed in the revised Charter.

Mr. Lovelace reported on receiving an e-mail from Tim Harrington expressing opposition to Audit Committee changes (**copy attached and made part of these Minutes**) and the many persons who have expressed similar opinions. He stated he does not believe changes were made in the best interest of the District. **[At this time Mr. Hicks arrived and Mr. Lovelace reviewed the meeting up to this time.]**

Mr. Kill commented and questioned why the Board made the decision to terminate the Audit Committee. He stated he is a member of the Southern Arizona Leadership Council (SALC) and indicated the Governor stated at a meeting that the Audit Committee as revised was not independent and was unacceptable.

In response to Mr. Kill's comment that he was off the Committee now since he does not live in the District, Mr. Hicks commented he should finish his term. He emphasized that the Board majority was responsible for the changes in the Charter. Mr. Lovelace stated he owns property in TUSD that members of his family live in. In response to a question of when the revised Charter was effective, Ms. Wallace indicated her opinion was it was when approved.

**ITEM**

**ACTION**

**STUDY/ACTION ITEMS** (continued)

3. Charter of the Governing Board Audit Committee (revision) from the February 10 and March 10, 2015, Regular Governing Board Meetings (continued)

Ms. Cox commented she thought the revision has been postponed and had some of the same questions as Mr. Lovelace about the proposed changes. She stated the document as it stands now is not an audit committee, primarily because it's not independent.

Mr. Lovelace indicated the revised Charter would be on the next agenda, and Julie Tolleson would be asked to attend and give her interpretation regarding concerns. He stated the semi-annual report to the Board would be postponed until the May 12 board meeting after the Audit Committee meets again on April 24. Mr. Kill commented he hoped there would be an indication from the Governor or ADE on their reaction, and Mr. Hicks commented he had sent material and Mr. Lovelace's Op-Ed to the Governor's office.

In response to Mr. Kill's question on why the Chief Financial Officer was put on the Committee, Mr. Hicks indicated the Superintendent and the Board majority would have to answer that. Ms. Cox stated that the Pima College CFO is an Ex-Officio member of the Finance and Audit committees.

5. Schedule of Current Debt (Follow up from Committee questions at the January meeting) – Stuart Duncan Tabled.

Karla Soto will be scheduled for this item at the April 24 meeting.

6. Status of USFR and A133 and Cash Flow Projects – Karla Soto Tabled.

7. Outside Legal Opinion on Audit Committee functions, advice by District Legal Counsel, Committee ability to participate in procurement recommendation of Selection of Outside Auditors and other matters discussion in the Opinion – Julie Tolleson Tabled.

Discussion of the revised Charter will be placed first on the agenda for April 24.

**ITEM**

**ACTION**

**STUDY/ACTION ITEMS** (continued)

8. Semi-Annual Report to the Governing Board due at April 14 or May 12 Regular Board Meetings No Action.

Mr. Lovelace indicated the report to the Board would be postponed to the May Board meeting after the Audit Committee meets next on April 24 and has a chance to hear from Ms. Tolleson.

9. Proposed Agenda Items and/or Additional RFI's No Action.

All potential issues remain the same.

10. Meeting Date/Time No Action.

Next Meeting will be on Friday, April 24, 2015 at 2:00 p.m.

ADJOURNMENT – 3:10 p.m.

Lori Cox moved to adjourn, Charles Kill seconded. Approved unanimously in a voice vote.

Presented for approval at the June 26, 2015 meeting, but not approved due to a lack of a quorum of the members present at the March 27, 2015 meeting.

**ATTACHMENTS:**

- Memo to New Employees from Human Resources regarding Governing Board Policies
- E-mail of March 10, 2015 from Tim Harrington to the Governing Board members, cc: Jim Lovelace re: Opposition to Audit Committee Changes
- Copy of cover of *"The AICPA Audit Committee Toolkit"* presented by the AICPA's Audit Committee Effectiveness Center in cooperation with CNA and the AICPA Foundation; *copyright 2004* by the American Institute of Certified Public Accountants, Inc.



PO Box 40400  
1010 E. 10<sup>th</sup> Street  
Tucson, AZ 85719

Human Resources Department

Telephone: (520) 225-6035  
Fax: (520) 798-8683  
www.tusd1.org

To: All District Employees  
From: Human Resources Department  
Re: Governing Board Policies

Attached are copies of the following Governing Board Policies:

- AC Non-Discrimination
- ACA Sexual Harassment
- CCD-R Treatment of Confidential Information
- DJ-R Purchasing Procedures
- EJA-R Acceptable Use of Technology Resources
- EJC Electronic Mail
- GBEA Staff Ethics
- GBEB Staff Conduct
- GBEB-R Staff Conduct Regulation
- GBEBA Dress Code for Employees
- GBEBB Staff Conduct
- GBEBB-R Staff Conduct with Students Regulation
- GBEC Substance-Free Workplace
- GBED Smoking by Staff Members
- GBGC Employee Health & Safety
- GBGCA Proof of Immunization
- JLF Reporting Child Abuse/Child Protection
- KBF-R Interpreter and Translator Support Services for Students and Parents/Guardians

Please sign below! This indicates that copies of these policies were given to you. Detach this entire page and return to Human Resources. The signed form will be placed in your official Personnel File.

If you have questions, please contact Human Resources at 225-6035.

**I understand that I have 30 days to complete the online, mandatory training on Procurements, Vendor Relations & Public Records (located at <http://tucson.truenorthlogic.com/>).**

My signature indicates that copies of the following Governing Policies were provided to me: AC, ACA, CCD-R, DJ-R, EJA-R, EJC, GBEA, GBEB, GBEB-R, GBEBA, GBEBB, GBEBB-R, GBEC, GBED, GBGC, GBGCA, JLF, and KBF-R

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Social Security or ID Number

M: Employment Forms / GBPolicies.doc revised 7-10-14

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## Jim Lovelace

---

**From:** Tim [tharrington@forteamresources.com]  
**Sent:** March 10, 2015 2:06 PM  
**To:** adelita\_g@yahoo.com; kristel.foster@tusd1.org; michael.hicks@tusd1.org;  
boardmemberjuarez@gmail.com; markwstegeman@gmail.com; governingboard@tusd1.org  
**Cc:** Jim Lovelace; mparham@tucson.com  
**Subject:** Opposition to Audit Committee Changes

Dear Members of the Board of TUSD:

As a CPA of 35 years and a consultant who guides boards of credit unions and community banks all over the US, I wish to express my deep concern for the changes you are proposing to your audit committee.

An audit committee, to be effective, must be independent of management. Your proposal to make the CFO the committee chair would totally destroy the committee's independence, and therefore, it would become a sham committee. An audit committee IS a watchdog, though generally a supportive one. But it's role is NOT to be supportive, its role is to be an independent, effective group to ensure proper internal controls and financial reporting. Its very role is to 'watch' the CFO. If the CFO, or any member of the Board or management team influences or controls the audit committee, it no longer serves the tax payer. It now serves its 'controller'.

Regarding the selection of the audit firm, this process should be without political influence. Taxpayers want and need an outside, independent, competent third party to ensure taxpayers that internal controls exist, that they are adequate, and they are being followed. Finally, to attest that financial reports are reliable. The selection is best done by one independent of the board and management.

Your earlier decision to quash the proposal and repeated professional recommendations to create an internal audit program is also bewildering. Internal audit is a good thing. It helps ensure safety and soundness, it helps reduce the possibility of fraud and embezzlement, it helps improve operations systems and remove bottlenecks. An organization your size and complexity would be marvelously well served by a competent internal auditor. This process is entirely different, yet complementary to and external audit program. Your unwillingness, in fact your opposition to, an internal audit leads me as a taxpayer to believe you do not want openness and transparency.

As a long time CPA and Governance Consultant, I long ago formed a belief: organizations that block and thwart audits and the transparency they bring tend to be organizations with something to hide. It is that simple.

The Tone at the Top of TUSD is one that seems to encourage a lack of transparency and openness. That rarely works to the benefit of the taxpayer.

I ask you as a Board to oppose the proposal to dilute the effectiveness of the audit committee.

P.S. I do not know Jim Lovelace, a current member of the audit committee, nor do I know his firm, nor do I know anyone on the TUSD Board. But I fully agree with Mr. Lovelace's assessment of the situation as noted in his article in the Daily star today.

Very truly yours, .

Tim Harrington

Tim Harrington, CPA  
President, TEAM Resources





in cooperation with



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

# The AICPA Audit Committee TOOLKIT

Audit Committee Effectiveness Center



[www.aicpa.org/audcommctr](http://www.aicpa.org/audcommctr)



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Committee  
TOOLKIT**

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the AICPA Foundation



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