

NORTH KINGSTOWN AUDIT COMMITTEE

September 18, 2008

Beechwood House

7:00 pm

PRESENT WERE: **Ned McCrory, Chairman**
 Richard August
 John McNamee
 Julia Techentin
 Jeff Wadovick

ALSO PRESENT: **Patricia Sunderland**

A tape recording of this meeting was made to supplement the written record.

I. Call to Order

- Chairman McCrory called the meeting to order at 7:00 pm.

II. Pursuant to RIGL 42-46-6, Notice of this meeting has been posted on the Secretary of State's Website

III. Approval of Minutes – May 1, 2008

MOTION made by John McNamee, seconded by Jeff Wadovick to accept the minutes as presented. Vote: unanimous.

IV. Appointment of Whistleblower Screening Committee

Richard August explained that the ordinance calls for a screening committee with two people to serve. There shall be one appointee of the school committee which will be Mrs. Techentin. The audit committee should appoint the second member to serve on the screening committee. Chairman McCrory explained that there should be an overlap on this committee and asked for someone to offer to work with Mrs. Techentin. Mrs. Techentin is appointed to a 2 year term as well as Chairman McCrory thus it is recommended that the appointee be one who is serving a 4 year term. At which time John McNamee offered his assistance to serve with Mrs. Techentin.

MOTION made Chairman McCrory to appointment John McNamee to serve on the committee with Julia Techentin, seconded by Richard August who noted that John has served on other committee which has implemented whistleblower policies and will be instrumental in the development and serve the town well. Vote: unanimous.

V. Discuss Town Manager's request to review a possible conflict of interest with the School's Athletic Director and his affiliation with the Boosters Club. He has been listed by the Secretary of State's Office as a Registered Agent of the North Kingstown Booster Club, Inc.

Chairman McCrory read the memo received by Town Manager, Michael Embury, regarding the school's athletic director and his affiliation with the Boosters club. Noting that the Athletic Director who is also the football coach is the direct beneficiary of many of the contributions made by the Boosters Club. Mr. August commented that the wording of the agenda item is somewhat awkward in that it is not a request of the Town Manager but of one from an anonymous caller and that maybe the wording is off. Mr. August commented that the NK Boosters club is a private club in RI and as such is neither an agency of town government or part of the school department. He furthered that the audit committee's primary responsibility does not extend to a private organization even though a relationship may exist. Mr. August noted that Mr. Kenyon's representation with the Secretary of State's office as a registered agent is simply a person that the Secretary of State, Auditor General, etc., communicates with to send tax documentation to and because Mr. Kenyon is a constant it may be logical. This panel is not an ethics committee and the issues may be properly directed to the booster club, then to the school committee. Mr. August respectfully suggested this item is out of order for this body. Mrs. Techentin referred to the memo citing the committee review the Bacon & Edge audit report. Mrs. Techentin suggested referencing the Bacon & Edge report and does not want to dismiss the auditor's request as well as the Town Manager's request for the audit committee to review the document. John McNamee agreed with Mr. August that if this is a separate organization then the committee may not have jurisdiction but suggests taking a look at the comment and see if the boosters are a 501 3 c organization but suggested taking a look at the comments made by Bacon & Edge. Jeff Wadovick offers to research the Bacon & Edge report. Mrs. Techentin felt that if the Town Manager asks the audit committee to look at something specific, she feels that it's well within their purview.

MOTION made by Mr. August that the item be moved to the next meeting and that Mr. Wadovick be given time to review the findings noted in the specific document and report back to the audit committee and recommend whether the audit committee should pursue the item, seconded by Mrs. Techentin. Vote: unanimous.

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VI. Discussion of Worker's Compensation self-insurance fund relative to the school department's request for review of the appropriation of revenues and expenditures. (Attachment A)

Mr. August brought the committee up to date on the town's self insurance fund. He further explained that he did a macro analysis and may have been an understatement of the fund by approximately \$108,000 to the school district, however, additional follow up work concluded that Dr. Halley and Mr. Daly served on the committee representing the school department as well as the Town Manger, Town Finance Director and two members of the community with insurance background. Mr. August felt that Dr. Halley and Mr. Daly would not have allowed any misallocation of the self insurance fund. Upon review of minutes the meeting of the self insurance fund and bills that there was no evidence that the other four entities (General Fund, Library Fund, Water Fund, and QD Recreation) had enough of an overstatement to compensate for the understatement of the school department. Mr. August also explained that the Town Manager made a commitment that any additional worker's compensation claims for prior school department injuries would be covered by the Town and not charged back to the school department so it appeared that there was a fair and equitable assessment as expected. Mr. August further explained that Mr. Roth has indicated he may file an inquiry with the Auditor General.

MOTION by Chairman McCrory to accept the report of Mr. August on the town self insurance fund as discussed, seconded by John McNamee. Vote: unanimous.

VII. Review and discuss communication being forwarded to the committee regarding the "Charging of Fees for Participation in Extracurricular Activities" and how this relates to the school's two special revenue funds, Sports Camps, and the non-existent swim team budget. This policy was adopted by the Department of Education; see RIGL 16-38-6.

Mr. August requested that the person asking this to be placed on the agenda please explain. At this time Jim McGwin took the podium. Mr. McGwin explained that this was researched by Mr. Avedisian's class who did recommendations for saving money and they did "Pay for Play". A transfer student was made to pay to be on the swim team. This student is a transfer from California where it is legal to charge students to Pay for Play. Mr. McGwin stated that he had a meeting with Paul Ponterelli, Legal Counsel for RIDE, who pointed out that registration fees violate the fundamental principles of RI School Administration by interposing an obstacle against the free attendance by discriminating against any boy or girl who have not a dollar and the boy or girl who cannot risk a dollar. Mr. McGwin explained that the swim team, an interscholastic sport, receives no funding from the \$625,000 athletic budget. Mr. McGwin noted that at the last school committee meeting the athletic stipends for football was \$19,000 and prior to that there was an item on the consent agenda from the boosters club for \$10,000 for football video editing software. The boosters club receives a significant portion of its revenues from gate receipts for the various sports not just football. The total budgeted for gate receipts for the 2009 fiscal year is \$9,000 and this one item exceeds that.

The fundamental primacy of the law, provided by the students in their recommendations back in March or April, who brought the opinion of RIDE back to the school committee noted that it states that "No Town or treasurer has authority to become custodian of fees" which goes into sports camps. The sports camps are run by the school department and the revenues and balances reflected in the town financial audit of which the school committee votes on the stipends and they show up as an enterprise fund so that no town or city treasurer has the authority to become custodian of the fees which becomes problematic. Many school employees and school equipment (list serve is used, social worker in the school department, the school web site, etc.) is used to market these camps...these are not school functions. There is nothing wrong with having these camps yet it's they were they are managed. When the athletic director was presenting his budget with an increase in his budget while there were decreases in teachers, paraprofessionals were asked by one of the school committee members, "what the benefit was the athletic program?" He responded that they produce scholar athletes identified as one from the swim team of which the athletic budget does not fund and does not benefit from any of the athletic budget money and the parent has to pay to participate in that sport.

The policy is not being adhered to and the determination of what's a sport is left to the RI Interscholastic League and the rest are considered extracurricular activity and does not allow for clubs. The boosters club, there are students who participate in the activities where a gate fee is charged, and because of the determination of the athletic director and what a sport is, they are not allowed to receive any of the benefits received from those gate fees from facilities that are maintained by the Town. The boosters club awards approximately \$10,000 in scholarships at the senior banquet of which some of these students cannot participate and benefit from those monies. The cause is that we have policies that we are not following. Most policies exist that are not being followed. Mr. McGwin stated that there is a policy that the

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athletic director and school's principals need to put a monthly budget together and submit to the school superintendent but the athletic director stated that he was not aware of the existence of the policy.

Mr. August indicated that he was invited to the meeting with Mr. McGwin, Ned Draper, and Mr. Kenyon. Mr. August verified that the young man did make the statement of having to pay for swimming. He also indicated that Mr. Kenyon explained there was no budget for the swim team and the booster club would offer \$4000 to start up the swim team. Mr. Kenyon explained that start up was \$7500 and that if the parents wanted the swim team they would have to come up with the money by having car washes, bake sales, etc. Mr. August asked if there were any parents who couldn't afford and Mr. Kenyon indicated "yes" and the other parents took care of the difference. From Mr. August's way of thinking this doesn't qualify for "Pay to Play" and if the parents chose to just make up the difference then that is their choice and as long as a child is not left behind then the sport could exist. There is no denying a child the opportunity to play which Mr. Kenyon made specific. Mr. August noted that the issue of sports camps is interesting and in some towns its run under the recreation department and whether it runs under the recreation department or school athletic department is not up to the committee to decide. Mr. August noted the Interscholastic policy, dated August 26, 1974, paragraph #7, a detailed encumbrance accounting system shall be maintained by the high school principal and athletic director, and a monthly financial statement including revenues, expenditures, encumbrances and unencumbered balances shall be submitted to the Superintendent not later than the first Monday of each month. Mr. Kenyon was not aware of this policy at which time Mr. August asked Mr. Kenyon and Mr. Draper if they could produce a report, within a reasonable period of time to produce a report ending with June 30, 2008 to come up with a starting point. Mr. August met with Mr. Foley, Principal, and noted he was not aware of the policy either who has been the school principal for a long time. He does not want to minimize the question of whether or not the administrators should be responsible of every policy that affects their area but when they are not then they should be required when they are made aware of such policies to comply and cooperate and it should be brought to the attention of the school committee. With respect to the boosters club and what funds they receive, Mr. Kenyon explained that they have a standing agreement with the school department that the boosters who get \$100 from each event at which gate receipts are received and there may be some clause in the agreement that indicates the boosters receive 10-15% of the total gate. With regard to the disbursement of funds, Mr. August's sense is that if the boosters club, being a separate entity, chooses to donate a capital asset to the athletic department it's their call and has to be accounted for. If the school department wants to put it out to bid then it is still, to Mr. August, to be the booster's call. Whether the football team gets a larger benefit from the booster club is way beyond the purview of the committee's charge. Whether the football team gets more than other sports then that's an issue of the boosters club and the parents, board of directors. Mr. August offered to follow up on gate receipts and with Mr. Kenyon and Mr. Draper on the fees and with the school committee regarding why these policies are not being followed. Chairman McCrory turned the table to Jeff Wadovick.

Jeff noted that the schools swim team runs through the student activity funds of the school. The bank account is held at the school and is under the school's control. There is not a lot of accounting that is done on these accounts and this is a very grey area. There appears to be approximately \$500,000 that goes into these some 60 accounts and approximately \$500,000 that goes out of these accounts. There appears to be donations that are flowing in and out of the activity accounts. Not sure of the statute is being violated and recommends that the solicitor can give an opinion if the thought is that they are violating this statute of 1917. Mr. Wadovick noted that the student activity funds are not mandatory and are not funded 100% by school activities which will get worse because of the Paiva/Weed act as far as taxes are concerned and the school departments will not get their money based on the growth of their budget which will become an issue. Mr. Wadovick noted that the athletic departments are not mandatory or part of the Basic Education Program (BEP), not mandated which is coming out of the Department of Education. Therefore there will be areas where they will need to solicit funds to support these events. Mr. Wadovick doesn't recognize that it's a pay to play and recommends the solicitor provides us with legal structure. DoE changes a lot of the regulations and questioned whether this has been superseded (the existing statute). Mr. Wadovick's experience is on the student activity, notes there is only one checkbook and is maintained by one principal who has sole signature authority and the clerk cuts the check so it is a grey area. Mr. Wadovick noted three different subjects: the boosters club and its funding, the pay for play, and now on to the student activity funds. Mr. Wadovick feels they are all somewhat separate and cannot say whether they are violating this "pay for play" statute.

Mrs. Techentin agreed with Mr. Wadovick that the committee is looking at three separate issues and referred back to the violation of the policy. Would that be the type of fiscal control that would help you understand where the funds are going? Mr. August responded that the activity funds accounting is not reflective of the policy of the Interscholastic policy. He continued that it is done in an overall sense and gives the school committee and overview. Mr. Wadovick felt that the policy is being adhered to noting the section which states that expenditures for the athletic program are incorporated as part of the overall general school budget, which is true through our financial system. Naturally, the

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expenditures can be overspent. Feels the policy is separate from the swim team because the budget is not being funded at all through the school budget. Mr. Wadovick noted the graduating classes keep money in the pot even after graduation and is kept outside the school department and it is administered by the school. These are never budgeted funds which will never appear in the financial statements but as far as the policy it appears that the school department is adhering to the policy within the overall general school budget. Mr. Wadovick feels the policy is inappropriate and outdated.

Acting Superintendent, Phil Thornton, noted that in 1974 it may have been required because the financials were not computerized and feels they can see the day to day transaction and that this policy is obsolete at this point. A monthly financial statement is compiled and reported to the school committee by the Director of Administrative Services.

Dr. Camarra noted it's the obligation to the community that if they offer the sport they should pay for it. It is very dear to the heart of Rhode Island. It is not up to the parents to decide whether they want to pay and is not in the spirit of the law and it's the obligation of the community that if they offer the sport they pay for it. Dr. Camarra stated she was present when the parents stood up to say that the moral obligation was impaired when they stood up to say if you aren't going to fund it we'll pay for it ourselves. We should treat everyone the same.

Chairman McCrory questioned if the swim team had been approved by the school committee. Mrs. Benson, 70 Shaw Acres, doesn't recall the swim team being approved by the school committee. Mrs. Benson reflected back to the auditor general's comments in 2006 where he noted opportunities for fraud and it was within the school committee's purview to implement an audit committee to keep check of the school department's financial doings. Mrs. Benson noted hearing the audit committee defending things that she had never heard before. Chairman McCrory questioned who approved the swim team? If not approved then the only way to fund would be fund raisers and someone had to approve it. Mrs. Benson questioned the liability of the school committee when someone is operating under the name of the NKSD? Mr. August questioned Mrs. Benson while going through their budget process whether the athletic director asked for their approval of the individual sport. Mrs. Benson responded, "No, you're right". Mr. August noted no breakdown by sport and is there no mechanism that requires the school committee to approve every single sport being offered. Mrs. Techentin offered a comment and felt there is an issue that the school department attorney should be looking into relative to the status of the swim team and by looking at the facts that if it is likely that this is "Pay for Play". Chairman McCrory noted that a procedure needs to be followed relative to the sports camps particularly if they are using Town facilities.

Mrs. Benson questioned the committee that if she wanted to grab 6 boys/6 girls and asked the parents to contribute to the factious team and on the way to an even the bus gets into an accident going to an event, will the town have a liability? Mrs. Benson asked for clarification. Chairman McCrory stated the swim team had to be approved. Mrs. Benson noted that any time the NKSD is named they are an agent of the school department.

Doug Roth, noted the athletic director was wrong, professionally. In terms of approval of teams, the swim team was approved by the previous school committee who also voted for middle school soccer. The present school committee voted for the sport to exist but not to fund it. Some schools fund the teams, some do not. It is not a "Pay to Play" situation. Mr. Roth does not agree. Under Title 16-6-38 – no organization, teacher, agent of the district will approach a pupil and solicit funds from a student. The swim team was voted to exist and parents that had their children participate, no child is turned away because of their inability to pay. Clubs exist all across the state but they all can't be funded. Mr. Roth explained that all fundraisers are for all students whether they can afford it or not. It's about equity not equality. The swim team was voted by the school committee, nothing wrong with the middle school soccer team. Mrs. Techentin feels the situation brought forth tonight relative to pay for play isn't black and white. Because the school committee approved its existence is not a determining fact that it isn't a "pay to play" situation, what the audit committee needs to know is, "are children being asked or being expected to pay to be on the swim team or else they can't play on the team?" Doug Roth indicated that, "NO", they are not being expected to pay. The parents would rather pay for the swim club because they chose not to do the fund raising and that there are no statues/rules or steps by the athletic director, superintendent that says a child cannot participate if they don't pay. The football team is fully funded, the soccer and swim team are not funded, they pay for buses, insurance policies, etc. but the organization that chose to exist under the umbrella of the school much follow all regulations. Mrs. Techentin admits that the audit committee does not have the fact and it's the school department's attorney's issue. Doug Roth noted that the "Pay for Play" exists in two different rules within RIGL and within the Department of Education and RIDE would find those things and the Interscholastic League would find those things in its governance. Mr. Roth explained that the clubs have a self-governance issue and there is a lot of funding funneled through the program. A policy statement should be established stating that, "All North Kingstown Interscholastic sports are open to all comers based on the merits of their talents and not on their ability to pay." The fundamentals of participation do not change.

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In summary, Mr. August had offered to track down the agreement of the gate receipts. The AD and Principal has agreed to adhere to the policy. The issue of "pay for play" should be addressed by the solicitor. The sports camps issue, Mr. August felt should be investigated, not sure how to handle this revenues. The question is, are the revenues being properly accounted for? Agenda item for next meeting: Mr. August to report on the sports camps. Mrs. Techentin felt this is an opportunity to fix the policy breakdown and it shouldn't be up to an audit committee member to track down policies and perhaps this policy should be updated and this policy should be reviewed, updated and rewritten. Doug Roth offered the audit committee to work with the school policy subcommittee. Mrs. Benson questioned how does the school department adhere to the State of RI Interscholastic policies? In her opinion, those policies must be followed first and used as a guideline to see how the school committee lines up with RI Interscholastic League.

VIII. Review School Committee's communication regarding the draft School Committee Vending Policy, contracts for vending machines currently in the schools, and an analysis of the revenues and expenditures for these machines.

Mr. August worked with Mr. Draper and hunting down the machines within the district noting that every vending machine has been identified. There will be a master contract for all Coca Cola machines and the 50% commission rate was going to continue forward, which is favorable for the school department. The food service department is responsible for monitoring and maintaining all machines and making sure they're accounted for. The 1998 contract was the one that caught all of their attention with the Coca Cola Co. which covered multiple machines and a few items that they were concerned about was that (1) the contract states that checks would be made payable to Keith Kenyon for the North Kingstown High School Administrative Scholarship Fund and (2) in paragraph 5 which was kind of unclear as to who was covering the workers of Coca Cola for worker's compensation insurance. Mr. August noted that Mr. Draper showed him a new contract that clears up this area of worker's comp but they needed to clean up the language to clarify that the Coca Cola workers will be covered by the company's worker's compensation insurance. Mr. August stated that Mr. Kenyon had stated that the contract was entered into at the direction of Mr. Foley, the Principal, and at the time in 1998 he was not aware that he was not the appropriate person to enter into a contract. Mr. August furthered discussion by stating that Mr. Kenyon claims that the money received from the commission was passed through to Mr. Foley for inclusion into the activity fund. The Administrative Scholarship Fund is described by Mr. Kenyon as a fund established so that a committee, comprising of the Principal, Athletic Director, and several faculty members, would identify students who would, not necessarily be eligible for financial aid but who's progress through the four years of high school merited some recognition and they would be able to give them small scholarship recognition when they graduated. Mr. August met with Mr. Foley and his Administrative Assistant who keeps the books for this activity fund and states that all of this money flows through the activity funds and they provided an accounting of all receipts and disbursement going back to 1997. Some fund expenditures are clear with respect to student's name and amounts, some disbursement don't necessarily relate to scholarship with various explanations and numerous disbursements of which Mr. August explained that he didn't have time to ask for back up to the expenditures to analyze. The Administrative Assistant stated very clearly that she writes no checks unless she has proper documentation from Mr. Foley as to what the disbursements are relating to. Mr. August felt the vending machines has been accounted for, are under the control of the food service department, a master contract has been developed with Coca Cola and that it is favorable for the school department. Mr. August noted that there is one contract outstanding, All Star Vending, which is supposedly healthy snacks of which was signed by Jay Shabo and the proceeds (15% commission) are used to maintain the equipment in the strength/training room. This machine is located outside the strength/training room and proceeds are minimal and, therefore, not of concern.

Chairman McCrory summed up the discussion and clarified that some of the audit committee's concerns have been addressed such as: (1) the proceeds of the contracts are accounted for, (2) the legal liability from the Town's standpoint indicating in the agreement that the worker's compensation policy of the Town would cover the Coca Cola employee's, which has been covered, and (3) a concern of the Chairman since at past meetings the audit committee had been evaluating the financial health of the cafeteria fund and having vending machines that were in direct competition of the financial health of the cafeteria fund which, at that point, the audit committee didn't feel that they were getting reflected that way. Chairman McCrory questioned Mr. August specifically noting the vending machines located within the cafeteria area operated by Coca Cola questioned where are the proceeds being reported? Mr. August indicated that the vending machines located specifically in the cafeteria are maintained and stocked and the proceeds are credited to the food service operation not to the athletic fund or activity funds. Chairman McCrory questioned the commission earned on these Coca Cola machines and Mr. August explained that they may not be Coca Cola machines and their

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commissions could vary and there may be the healthy foods snacks or other products but verified that this is definitely being applied to the cafeteria fund and running through their accounting. Mrs. Techentin, moving on to the policy, commented on Mr. August's time and commended his investigation noting there were a lot of outstanding issues and obvious contracting issues and potential exposures of which they have dodged the bullet. Mrs. Techentin recommended going on to one sentence in the vending machine policy of which the audit committee was asked to comment on which was designed, going forward, to institute appropriate controls and submits that it is inadequate. Mrs. Techentin noted that the policy attached to the NKSD vending machine policy from another state, appended, which does have significant accounting controls, contract approval procedures which from her perspective are adequate and appropriate but would need some amendment for North Kingstown instead of the one sentence in the draft policy currently presented to them for NKSD. The attached policy which came from the Minnesota statutes was forwarded by Mr. Ceresi. Mr. Wadovick shared with Mrs. Techentin's view and comments and felt it is good language and could be adopted by the school committee with amendments specific to NK. Noting this is policy which is where the audit committee could initiate. **MOTION** made by Mrs. Techentin that the audit committee recommend that the school committee policy subcommittee review this Minnesota draft, vending machine policy, 720-1 through 720-3, and it's the audit committee's suggestion that it would be an appropriate policy for North Kingstown properly amended to reflect whatever vocabulary changes and language would need to be made, seconded by Jeff Wadovick.

Chairman entertained public comment on this matter:

Sharon Hazard, lifetime resident, noted she has spoken a few times about the policy of the vending machines and feels the response isn't there. Ms. Hazard noted that as far as the vending machines go, it hasn't been followed through with what 2006 was and now this is 2008 and felt something has fallen through the cracks somewhere. Chairman McCrory asked Ms. Hazard to be more specific. Ms. Hazard claimed they aren't getting enough money and there are so many areas that the cafeteria is not able to pick themselves up and they need as much help to stay on board. Ms. Hazard noted that there are o many machines that they go to others before they go to the NKHS machines. Chairman McCrory noting back to the proceeds of the vending machines that are inside the cafeteria go to the cafeteria food services fund but, those that are in the high school but not in the cafeteria area get accounted for differently. Mrs. Techentin elaborates Ms. Hazard's concern which she asks if this is something she requests that the audit committee highlight to the school committee with Ms. Hazard agreeing to their assumption. Mr. August reflected on Ms. Hazard's comment and pointed out that those funds in venues other than in the cafeteria go back to the activity funds and questioned if this is what Ms. Hazard is trying to say. Ms. Trish Cawley, cafeteria services, noted that approximately 40% of the commissions received that are not in the cafeteria are sent back to the high schools for the activity fund and not going to food services? At which time Mrs. Techentin noted that because they all sell food and their revenues do not funnel back through to the cafeteria, the cafeteria is suffering. Ms. Cawley noted that in August, 2006 the school committee's policy was approved which indicated that the money was supposed to go to cafeteria services because back in 2005 there was economic strains going on with the program itself but the policy has not been adhered to.

Jim McGwin referred to the auditors comments back in Feb/Mar that if the cafeteria was outsourced there will be no deficit reported, it was a guarantee that they won't lose money and if they make money they will share the proceeds. The outsourcing of the cafeteria indicates that there will be no competition in the district, i.e. vending machines. Mr. McGwin noted that at the last 3 school committee meetings the issue of outsourcing the cafeteria workers because they are running another deficit this year. Furthering that every dollar that they run in a deficit is a dollar that does not go into instruction, does not go for books, paying for a teacher, etc. Again noted a policy not being followed, the issue of the revenue has been brought forth repeatedly to the school committee and the town council. Transparency, accountability, is not being exercised. Mr. McGwin reminds the committee that every dollar coming out of the school's undesignated fund balance is not a dollar being spent on education and it's something to consider when teachers are being laid off. Mr. McGwin asks the committee to recommend to the school committee that until the cafeteria fund makes money that they don't give money away (40% of the proceeds).

Doug Roth acknowledged the cafeteria fund in the red which has been in the red and the policy change voted in 2006 was in reaction to fact that at the end of every year and again this year that the school committee is voting to bring it into balance and they are moving money from some place else in the budget. Mr. Roth agrees that if they have competing revenue sources in the high schools which are pulling, buying options away from the cafeteria program then the school committee has to look at that. Mr. Roth doesn't feel that its as simple as that...that if they took the revenues from the vending machines and pushed them over to the cafeteria program making it whole then you would leave a whole somewhere else. Mr. Roth noted back to Mr. August's opinion that the revenues were being properly accounted for. However, Mr. Roth's asked for the audit committee's help to create a cost model and one quick way to make the cafeteria balance is to raise the cost of hot lunch but then the demand decreases. Mr. Roth asks for their help on the

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budget subcommittee to help figure out what that cost model looks like, where revenues are and track it over time and help them come to a plan and take a look at it 2-3 years out.

Chairman McCrory wrapped up the discussion and pointed out that (1) the school committee approved a policy that is not being followed then its pretty clear that it needs to be followed but the problem is that there is the easy solution in some people's mind to outsource so that we won't lose any money but the problem is that you are not comparing apples to apples because if there is an outsourcing that is going on the vending machines will all be part of that not losing any money calculation which we don't have right now, so, in Chairman McCrory's mind, if there is a policy that was approved and put in place then it needs to be followed, pretty clear. If this isn't the case then someone needs to change that policy from the audit committee's standpoint they can effectuate that and follow up that those policies are being changed and that those policies are being followed that are already in place. Secondly, Chairman McCrory stated that for some reason it is decided to change those policies, somehow, someone needs to be on the lookout to make the cafeteria fund operationally, give them credit for the vending machine dollars that are not being recognized because if there was a change to made to outsource it, that's what would happen and you need to look at that when you make a comparison.

Chairman McCrory recognized Mrs. Benson who noted in 2004 that the cafeteria was not operating in a deficit but the next year they reported a deficit. Mrs. Benson has always been against the price of a meal. She noted that the state has reports that North Kingstown did not take advantage of the many commodities that the federal government was offering so that cafeterias would not be too expensive for children to eat a healthy meal. There are over 200 + commodities. The cafeteria has existed for years without all of these vending machines. There should be more emphasis on educating the students then these activity funds.

Barbara Green noted they listen to the kids, they menu selection, they have a relationship with the children in the town and she feels that outsourcing will not continue with this type of relationship and hopes that they consider this when contemplating outsourcing.

Vote: unanimous.

IX. New Business

Jeff Wadovick reflected back to a comment that Mr. Roth made which he stated that the school committee at the end of each year voted to make the cafeteria fund whole which, by looking at the June 30, 2008, is not the case because it would be reflected. It would be noted that a transfer from the school operating fund would be transferred to the cafeteria fund but that is not the case. Mr. Wadovick noted a loss of \$58,000 and started the year with a loss of \$63,000 so they ended the year with a loss of \$122,000 so if what Mr. Roth is stating is true then the ending balance should be zero making the fund whole. Therefore, his assumption is that the financial statements are inaccurate in that the school department has transferred money over to try to correct the \$122,000. Chairman McCrory questioned whether the statement was inaccurate or the financial statements are inaccurate. Mr. Wadovick responded that he thinks the financial statements are incorrect and suggests meeting with Mr. Roth to find out what their intentions were and what was committed as far as making the food service whole. Noted page 99.

X. Correspondence

Acknowledged the APRA request sent to the school department by Bill Mudge.

XI. Public Comment

- Mr. McGwin – recommended that educational materials be sent out to employees and taxpayers about the whistleblower policy and the '800' where they can make anonymous complaints without feeling they will be retaliated against. Plausible deniability is not acceptable in the classroom, however, teachers don't accept excuses yet we have management not following policies yet we need to accept their excuses.

XII. Next Meeting – tentative, Wednesday, November 19th @ 7:00 pm

XIII. Adjournment

NORTH KINGSTOWN AUDIT COMMITTEE

September 18, 2008

Beechwood House

7:00 pm

MOTION made by Julia Techentin, seconded by Richard August, to adjourn. Vote: unanimous.