Minutes of Special Meeting

The Board of Trustees
South Texas ISD

A special meeting of the Board of Trustees of South Texas ISD was held Wednesday, December 12, 2012, beginning at 6:00 PM in the Hilltop Gardens, 100 Lee Lane, Lyford, Texas.

1. Welcome.

Mr. Homero Garcia, Board President, welcomed his fellow board members and representatives from Pattillo, Brown & Hill, LLP. He also congratulated the newly elected/appointment board members and thanked Mr. Hector Gonzales for his service as board secretary.

2. Call to Order.

The meeting was called to order by Mr. Homero Garcia at 6:12 p.m., at which time he was assured by Superintendent Dr. Marla M. Guerra that notices of this meeting were posted properly according to the laws of Texas and that a quorum of the board was present.

The following board members were present:
Douglas E. Buchanan       Raymondville
Graciela Camargo          Weslaco
Yolanda Cuellar           Progreso Lakes
Homero Garcia             Weslaco
Sylvia Sanchez Garza      Edinburg
Hector Gonzales           Lyford
Eduardo “Ed” Gonzalez     Edinburg
Octaviano Gonzalez        San Juan
Henry LeVrier             Brownsville
Fausto S. Meza, M.D. M.P.A. Edinburg
Eliceo Muñoz, III         Brownsville
Israel G. Quintanilla     Raymondville
Julio S. Saldaña          Raymondville
Rick Villarreal           Brownsville

The following board members were absent:
Eduardo L. “Larry” Cantu   Los Fresnos
Richard Fleming, M.D.      Mission
Adrian Garcia              Brownsville
Maria G. Leal              Palmhurst
Filomena Leo, Ed.D.        La Joya
Robert J. Lerma            Brownsville
Joe Lopez                  Brownsville
Ramon Montalvo, III        Weslaco
Berta Palacios             San Juan
Irma Perez-Treviño         Harlingen
The following staff members were present:
Marla M. Guerra, Ed.D.  Jeff Hembree
Marla Knaub    JP Villarreal
Amanda Odom   Sonia E. Rodriguez
Myriam Rios    Jesse Salazar

The following guests were present:
Pablo Bazaldua, Auditor, Patillo, Brown & Hill, LLP
Julissa Bazaldua, Auditor, Patillo, Brown & Hill, LLP


Patillo, Brown & Hill auditor, Pablo Bazaldua, reported on the 2011-2012 school year audit. A report entitled Financial Statements and Report of Independent Certified Public Accountant South Texas Independent School District was distributed, discussed, and accepted. Mr. Bazaldua reported the financial statements in the report presented fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of South Texas Independent School District as of August 31, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In short, STISD received an unqualified report.

The auditor made the written recommendations listed below. The administration is already addressing them.

**Current Year**
**Travel:**
- Review all travel forms to ensure appropriate supervisor authorization.

**Outstanding Checks:**
- Implement a policy to periodically investigate the checks that have remained outstanding. After a designated period of time, payment should be stopped and an entry should be made restoring such items to cash and an appropriate liability account. This will improve internal controls over cash and provide a more accurate representation of deposits held by the District.

**Child Nutrition Testing:**
- Overtime should not be paid to employees that are classified as exempt employees.
- Review all Child Nutrition Program eligibility applications to ensure that all forms are completed and properly authorized before processing.
- Submit expenditure reimbursements to the granting agencies to ensure that grant monies are utilized.
Credit Card Testing:
- Collect all receipts and credit card statements in a timely manner to ensure that all receipts are tied to the credit card statement. Credit card statement balances should be paid at the end of each statement cycle ensuring that all support has been collected and reviewed.

Bank Transfers:
- Record all transfers in the general ledger once the transfers are processed by the financial institution.

Student Activity Accounts:
- Sign all cash vouchers by the appropriate individuals before any payments are processed to ensure that internal controls are being exercised.
- Adhere to the student activity policies and procedures regarding the processing of checks to the vendors and not District employees. These procedures will help ensure that only proper and authorized expenditures are paid and that a proper audit trail is maintained.

Status of Prior Year Recommendations
Purchase Orders:
- Adhere to its policies and procedures for the uses of purchase requisitions, purchase orders and receiving reports. These procedures will help ensure that only proper and authorized expenditures are paid and that a proper audit trail is maintained (Item not corrected).
- Review all purchase orders to ensure that proper funds are authorized before purchases are made. In addition, they recommended that all increases made to the purchase orders have company the purchase order modification form, such as the District’s policies have established. (Item not found during audit testing).

Collateralization of Cash:
- Regularly monitor all cash balances to verify that they are adequately collateralized. The purpose of collateralization (the pledging of securities by the depository financial institution to the District) is to protect the District in the event of the financial institution’s closure or default. The amount of collateralization should be in excess of the district’s cash balance less FDIC insurance coverage. The responsibility to maintain adequate collateralization is a joint responsibility between the District and the bank. The appropriate steps should be taken to obtain the necessary pledged securities by the bank (Item corrected).

Cash Disbursements:
- Mark all invoices “cancelled” once paid to prevent duplicate payments (Item not corrected).
- Review all payment due dates to ensure that payments are done in a timely manner and avoid late fees (Item not corrected).

Payroll:
- Review all personnel documents to ensure that all forms are completed and up to date (Item not corrected).

Petty Cash:
- Re-evaluate and consider decreasing the amount of petty cash at each location. (Item corrected).
Student Activity Funds:

- Ensure that all supporting documentation is filed properly and readily available for testing (Item not found during audit testing).

Some board concern was expressed over the management report and expressed they needed more time to discuss it with staff. Mr. E. Gonzalez requested the Board President place the audit management report on the January, 2013 board agenda during executive session.

Superintendent Marla Guerra expressed that the administration is very concerned about the audit recommendations. An action plan will be prepared and shared with the board at the January board meeting.

A motion was made by Mr. Muñoz, seconded by Mr. H. Gonzales approving the audit report as presented.

The motion passed unanimously.


Ms. Knaub reported upon the completion of the audit, there is an excess fund balance of $2,628,368. There is a need to designate the excess fund balance to the operation of the new Junior High. The board approved designating $1,000,000 to the operation of the new junior high on August 28, 2012. By designating the additional fund balance, the district will have the necessary funds for the first year of operation for the junior high. This is a report only. The administration will place a recommendation on the January, 22, 2013 board agenda.

5. Action: Review and act on payment application #1 (revised) to Gomez Mendez Saenz, Inc. for architectural services for the new Cameron County Academy.

A motion was made by Mr. O. Gonzalez, seconded by Mrs. Camargo, approving Gomez Mendez Saenz, Inc. payment application #1 (revised) for the new Cameron County Academy as presented. The motion passed unanimously.

6. Action: Review and act on out of district staff travel for Project Lead the Way Master Teacher Training, January 15-26, 2013 in Durham, NC.

A motion was made by Mrs. Camargo, seconded by Mrs. Sanchez Garza, approving the district staff travel as presented. The motion passed unanimously.

7. Adjournment.

A motion was made by Mr. Buchanan, seconded by Mrs. Camargo, adjourning the board of directors’ meeting at 7:07 p.m.