



Office of Internal Audit

Report to the Superintendent of
Public Education and the Chief
Financial Officer

June, 2016

ASSOCIATED STUDENT BODY FUNDS

Review of Cash Receipts and
Disbursements at Selected
Schools

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinion of the Office of Internal Audit. Determinations of corrective action to be taken will be made by the appropriate San Diego Unified School District officials.



Highlights

Highlights of Report 16-15, a report to the Superintendent of Public Education and the Chief Financial Officer

Why OIA Did This Review

The Office of Internal Audit performed this review to provide the Superintendent of Public Education and the Chief Financial Officer with advanced notification of the issues that may arise during the independent public accountants' testing of the ASB Funds as part of the District's annual financial audit.

What OIA Recommends

We provided the Chief Financial Officer with three recommendations for corrective action. Our recommendations included developing guidance on the maximum amount that should be held in the ASB Fund's general fund account; determine whether certain ASB Fund expenditures were appropriate, and development of a training guide for use by staff substituting for a school's financial clerk.

The Chief Financial Officer generally concurred with our recommendations. It is expected that corrective actions will be completed by 31 December 2016. The response is included as Appendix I.

Associated Student Body Funds

Review of Cash Receipts and Disbursements at Selected Schools

What Did OIA Find

OIA found some improvements in the systems of control for the receipts and disbursements from our fiscal year 2015 report. Our testing identified that the Audubon K-8 Elementary, Lewis Middle, and the Mira Mesa High, San Diego High Schools, and School for Creative and Performing Arts (SCPA) did not have any identified deficiencies in the processing of ASB Fund receipts. Similarly, we did not identify any deficiencies in our testing of disbursements at the Patrick Henry High School.

OIA identified at one school that the ASB Fund paid for half the annual maintenance costs for the school's webpage. The school states that the ASB uses the website to provide information to the students and parents. It appears that the ASB funds were used to supplant the school's operating budget. The school's principal did not agree with our recommendation to return the money to the ASB Fund.

One school's general fund account's balance appeared to significantly exceed the needs of the school's ASB Fund. The District does not have guidance to assist the schools in evaluating whether they are holding funds in excess of the ASB Fund's needs and the steps to manage the account to minimize the occurrence of balances that exceed the ASB Fund's operating needs.

School clerks who temporarily assume the duties of the financial clerk do not have guidance or training manuals in the operation of the ASB Fund. Substitute financial clerks are not available to the schools. This impacts the operation of the ASB Funds and may have caused in part some of the deficiencies that we identified. At the middle and high schools this type of guidance is critical in order to maintain the ASB Fund and allow the ASB Fund to maintain its system of internal controls and safeguards.

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Abbreviations and Acronyms Used

Administrative Procedure	AP
Associated Student Body	ASB
Board of Education	BOE
Chief Financial Officer	CFO
San Diego Unified School District	District
elementary school assistant	ESA
financial clerk	FC
fiscal year 2015	FY-15
fiscal year 2016	FY-16
Independent public accountants	IPA
Memorial Preparatory for Schools and Athletes	Memorial
Office of Internal Audit	OIA
San Diego Unified School District	SDUSD
School for Creative and Performing Arts	SCPA



7 June 2016

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Superintendent of Public Education

Jenny Salkeld
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The Office of Internal Audit, (OIA) as part of its fiscal year 2016 (FY-16) annual work plan, conducted a review of the Associated Student Body (ASB) Funds cash receipts and disbursements at twenty selected schools within the San Diego Unified School District (District or SDUSD). This report summarizes the results of the review and provides recommendations to the Chief Financial Officer for the improvement of the ASB Fund operations. OIA initiated this review with the purpose of providing the Superintendent of Public Education (Superintendent) and the Chief Financial Officer (CFO) with an advanced notification of the issues that may arise as part of the independent public accountants' (IPA) audit of the annual financial report.

OIA used a non-statistical methodology for the selection of the 20 schools we reviewed. By using judgmental sampling we are unable to project the results of our work to other individual schools or the District, as a whole. However, based on prior audits and reviews conducted by the District's IPA and OIA we believe that the results are representative of the District's ASB Fund operations as a whole.

Background

The State of California established the ASB Fund through the Education Code section 48930 which permits the governing board of the school district, Board of Education (BOE), to allow groups of students to organize a student body organization. The California Department of Education issues regulations regarding the operation of the ASB Fund through Title 5 of the California Code of Regulations. The regulations, to date, center on the sale of food products by the students.

The BOE has issued policies on the operation of the ASB Funds. These policies include directing the Superintendent to oversee and control the operations of all of the ASB Funds within the District. In order to accomplish this function the Superintendent designated that the principal or site administrator¹ to act as the trustee for the

¹ The terms principal and site administrator are used interchangeably in the documentation we reviewed. For this report, OIA will use the term principal to cover both positions.

ASB Fund² at each school and to oversee the programmatic and financial operations. The principal may designate a certificated staff member as an ASB advisor. This individual generally provides oversight for the ASB Fund programmatic operations. The school's elementary school assistant (ESA) or financial clerk (FC) in the middle and high schools together with the principal maintain oversight and control for the ASB Fund's financial records.

At the middle and high schools the ASB Fund is designated as an organized ASB Fund. The daily operations of the ASB are controlled by the school's student council.³ The students have the ability to develop and approve budgets for the student council and ASB Fund, as a whole, approve fundraising activities, control the spending of student council and individual student clubs and groups, and approve unplanned revenues and expenses. The school's principal may reject any student budget, fundraising request, or proposed expense.⁴

At the elementary school level the principal, in addition to their responsibility as a trustee, may have effective sole control over the operations of the ASB Fund. The exception to this is the financial duties performed by the ESA. Some principals have established advisory groups that provide input on potential fundraisers, expenses, and activities of the ASB Fund.

During the period 1 July through 31 December 2015 the ASB Funds we selected received \$2.02 million and disbursed \$1.46 million.

Results in Brief

In our review of the twenty ASB Funds included in our sample, we identified that improvements in internal controls and compliance with applicable District APs are needed. We noted deficiencies for both receipts and disbursements at the majority of the schools.

Our testing of receipts identified that the following schools with no internal control weaknesses or compliance deficiencies based on our sample: Audubon K-8 Elementary, Lewis Middle, Mira Mesa, and San Diego High Schools and the School of Creative and Performing Arts (SCPA). Similarly, we found in our disbursement testing that Patrick

² Administrative Procedure (AP) 2225, *Administration of Student Body Funds*, § C.4.b.

³ The controlling group for the ASB Fund daily operations may be the school's student council, ASB council, or a combination of both groups. For this report, OIA will use the term student council to address the student organization controlling the ASB Fund operations.

⁴ AP 2225 § C.4.e(3)(a)

Henry High School did not have any internal control weaknesses or compliance deficiencies in the sample of disbursements we tested.

Our testing of receipts identified 254 transactions with 43 control weaknesses or that were not compliant with the District APs. Table 2 (page 8) provides a summary of the receipt transactions tested with the deficiencies noted by the type of school.

Similarly, our testing of disbursements identified 80 control weaknesses or issues of non-compliance with the District's APs. These deficiencies impacted 403 transactions we tested. Table 3 (page 13) provides a summary of our testing by the type of schools.

Our testing did identify two issues that warrant the CFO's attention. The first issue is we identified one school whose general fund account balance appears to significantly exceed the needs of the school and its present ASB Fund. As of 31 December 2015, the balance of the ASB Fund's general fund account was approximately six times the annual operating budget. The school's management and the student council had not developed a plan and process to utilize the available funds. This condition was due in part to the absence of guidance included in District Administrative Procedures on potential maximum general fund balance levels for schools. When advised of the condition that we identified, the school's principal, ASB advisor, and student council undertook the development of a plan to benefit the current students and appropriately use the excess funds.

The second issue identified in our disbursement transaction testing was the use of ASB Fund resources to pay a 50 percent portion of the annual maintenance costs for the school's webpage. According to the school's principal, the charge was appropriate as activity information for the school's ASB is included on the webpage and this data was used to inform the students and parents of the activities. In OIA's opinion, the school's webpage is part of the school's operational and instructional supplies. The ASB Fund was used to supplant the District's funds for the maintenance of the webpage. We recommended that the principal return the funds in question to the ASB. The principal disagreed with our recommendation.

Further, in both FY-15 and FY-16 we encountered several schools in which the financial clerk or ESA had left the school for another position, retired, or was on extended leave. According to the school personnel that we spoke with, the vacancies could take long periods of time to fill and the school would use existing clerical staff or hire a District employee on a part-time basis to maintain the operations of the ASB Fund.

In several instances, we found that training of the school's clerical staff was received by word-of-mouth. This resulted in wide disparities in the methods used to process transactions, receive and disburse funds, and prepare bank reconciliations and other reports. The District had not prepared guidance or a training manual on the operation of the ASB Fund. The staff and their supervisors did not have a reference or manual to refer to in ensuring that they were following the appropriate practices for the ASB transactions. As a result, we had wide disparity in the processing of transactions and in the completion of the required monthly and year-end reports. This impacted the reliability of the ASB Fund's financial data at the school level and for the District as a whole.

Recommendations

This report is a compilation of our comments, observations and findings identified in our testing at the selected school sites. We supplied the individual school principals our observations, comments and recommendations. We received responses from the all the schools tested. With the exception of our recommendation to return the webpage maintenance fees to the impacted ASB Fund, at one school, the principals generally concurred with our recommendations and provided us with corrective action plans that were responsive. Due to the volume of the comments and responses, we did not include the data in this report.

Additionally, OIA provided three recommendations to the CFO to address issues that we believed were crosscutting issues for the operation of the ASB Fund, as a whole. Our recommendations included:

- Develop guidance and best practices for schools to use in the determination of the appropriate maximum balance for the ASB Fund's general fund account and the management of the account's balance to ensure that the school's current students continue to benefit from the funds that they have raised.
- Determine whether the use of the ASB Fund to pay for the cost of webpage maintenance for the school is an appropriate use of the resources and, if not appropriate, the return of the funds to the school's ASB Fund.
- Develop a training guide/reference manual for use by the District's clerks who are assigned to substitute for a school's permanently assigned FC or ESA.

The CFO provided a response dated 5 June 2016 stating she generally agreed with the report's recommendations. We considered the CFO's response in preparation of this final report. The CFO's response is included at Appendix I.

Objectives, Scope and Methodology

The objectives of this review were to determine whether the cash receipts and disbursements of the ASB Funds, on a sample basis:

- Included sufficient and relevant documentation to support the receipt of the cash and disbursement of the ASB resources;
- Complied with the applicable BOE policies and District APs for the receipt and disbursement of cash; and
- Included surprise cash counts of change funds at selected schools.

To satisfy our objectives OIA performed the following tasks:

- Reviewed the relevant BOE policies, and District APs and other District guidance on controls, operations, and legal requirements for the operation of the ASB Funds;
- Reviewed the operations of the ASB Fund at the individual school sites that we selected;
- Interviewed selected management and staff at each of the schools to determine the process used by the schools to oversee and safeguard the ASB funds; and
- Selected a sample of cash receipts and disbursements for evaluation using a modified sampling methodology. All of the samples were developed using non-statistical practices. As a result, we cannot project the results to the school's ASB Fund as a whole. Based on our prior work with the ASB Funds, we believe that the review results are consistent with the actual ASB Fund operations at the school.

Our review included the ASB receipts and disbursements that were received or disbursed during the period 1 July through 31 December 2015. We expanded the scope of our transaction testing, when necessary, to satisfy the review's objectives.

The schools that OIA selected for this year's review were specifically targeted to the middle schools, high schools, and the District's atypical schools. Schools reviewed by OIA or the District's IPA in fiscal year 2015 (FY-15) were not included. Additionally, we did not include schools selected by the IPA for review in FY-16. Our selection included the balance of the District's middle, high, and atypical schools. Table 1 provides a listing of the schools selected for our review and testing.

Table 1: Schools Selected for Testing FY-16 ASB Fund Transactions

Type of School	School Selected
K-8 Elementary Schools	Audubon Elementary School
	Grant Elementary School
	Language Academy
	Longfellow Elementary
Middle Schools	Bell
	Correia
	DePortola
	Lewis
	Marshall
	Memorial Preparatory for Scholars and Athletes (Memorial)
	Muirlands
	Wilson
High Schools	Henry
	Kearny
	La Jolla
	Lincoln
	Mira Mesa
	San Diego
	SCPA ^a
	Serra

Source: OIA analysis

Note: ^aSCPA is an atypical school and includes grades 6 through 12.

The testing and procedures performed on the ASB Fund data do not constitute a review performed in accordance with generally accepted government auditing standards, the objective of which is the expression of an opinion on the ASB Fund financial data taken as a whole. Accordingly, we do not and will not express such an opinion. Had we performed a review in accordance with generally accepted government auditing standards, other matters may have come to our attention that we would have reported to you.

Scope Limitation

The District changed its banking services provider in 2015. The banking accounts for the ASB Funds were activated on 1 October 2015 by the new service provider. During October, the service provider did not capture all of the ASB receipt and disbursement data and include it in an access portal available to the District’s staff. Once the provider became aware of the issue, they changed the system to capture the deposit and disbursement data. However, they were unable to retroactively capture the data for placement in the portal. The data was available, by request, from the provider.

Use of Computer Processed Data

We relied on the data maintained by the District’s ASB accounting system for this project. Specifically, we relied on the data extracted from the ASB accounting system maintained in QuickBooks. We did not directly perform reliability assessments of the accounting system data. We relied on our experience with the ASB accounting system gained from other projects to assess the data. Based on our

experience and the testing of the FY-16 transactions, we determined that the data was sufficiently reliable for use in this project.

Improvements in Processing, Documentation and Control of Receipts are Needed

Our testing reviewed the receipts processed through the ASB Funds for compliance with BOE policies, the District APs, and that adequate internal controls were in place for receipt transactions. We identified 20 specific tests for the cash receipts where errors and deficiencies were found. Table 2 (see page 8) provides a summary of the errors and deficiencies by the type of school tested. Tables 2-a through 2-c provides individual school results by type of school.

Our generalized observations identified that 45 percent of the sampled schools (9 of 20 schools) did not maintain adequate supporting documentation for the receipts processed through the individual ASB Fund. Further, we found that in 40 percent of schools (8 of 20 schools) were not making ASB Fund deposits timely.

The schools through the FCs and ESAs provide a number of reasons for the late deposits. However, many stated that they were unaware of the District's requirement that funds are to be deposited within one school day of their receipt.⁵ The District provides daily courier services to the schools in part to facilitate the deposit of funds. This issue was raised on our FY-15 report.⁶

The District APs⁷ require that receipts be prepared for all receipts regardless of the source. Our testing found that 9 of 20 schools (45 percent of our sample) did not maintain documentation for the cash receipts. We identified 105 receipt transactions that did not have adequate documentation. The absence of documentation for cash receipts continues to be an ongoing issue. Both the internal and external auditors have included this area as a concern in the annual audit conducted by the IPA and in the internal audits issued by OIA. We found that four of the schools tested (20 percent) the security for the ASB Fund receipts were not adequate. Similarly another 20 percent of our sampled schools did not have receipts for all of the funds collected.

The transactions reviewed in our tests may have more than one deficiency.

⁵ AP 2245, *ASB Deposits, Authorized Bank*, § C.4.

⁶ San Diego Unified School District, Office of Internal Audit; *Associated Student Body Funds: Review of Cash Receipts and Disbursements at Selected Schools*, Report Number: 15-07; 30 June 2015

⁷ AP 2235, *Standard Student Body Receipts*, §§ C.2.e and D.1 and AP 2236, *Student Body Cash Collection*, § D.2

Table 2
ASB Internal Control Weaknesses and Compliance Deficiencies for Cash Receipts
Summarized by School Type

	Schools				Transactions Identified
	Elementary	Middle	High	Total	
Security of funds not adequate	2	2	0	4	5
Collections not receipted	1	3	0	4	11
Collections not deposited intact	1	0	0	1	2
Missing receipts	0	1	1	2	14
Daily closeout of cash register not performed	0	0	1	1	11
Receipts not used in sequence	0	2	0	2	44
Cash deposits and electronic rebates not recorded	0	1	0	1	4
Deposits not processed timely	3	3	2	8	19
No tally sheets or inadequate supporting documentation	2	4	3	9	105
Bank deposit slips were missing	0	1	0	1	2
Documentation supporting bank deposit amount does not agree with the amount of the deposit	0	1	0	1	3
Incorrect posting to QuickBooks	0	0	1	1	2
Rebate from COSTCO not deposited to the ASB Fund	0	1	0	1	1
Cash refunds taken from daily cash collection	0	0	1	1	8
Library change fund missing	1	0	1	2	1
Undesignated donation not deposited into the ASB Fund's general fund account	0	1	0	1	3
Financial summaries and activity statements not provided to the school's club advisors	0	1	0	1	1
Posting error	0	1	0	1	2
Cash register totals do not agree with the amounts turned over to the financial office	0	1	0	1	15
Receipt Errors/Deficiencies Identified ^a	10	23	10	43	253

Source: OIA analysis

Note: ^a The transactions reviewed in our tests may have more than one deficiency.

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Table 2-a
ASB Internal Control Weaknesses and Compliance Deficiencies for Cash Receipts
Summarized by K – 8 Elementary Schools

	K – 8 Elementary Schools				
	Audubon	Grant	Language Academy	Longfellow	Total
Security of funds not adequate		X	X		2
Collections not receipted				X	1
Collections not deposited intact			X		1
Missing receipts					0
Daily closeout of cash register not performed					0
Receipts not used in sequence					0
Cash deposits and electronic rebates not recorded					0
Deposits not processed timely		X	X	X	3
No tally sheets or inadequate supporting documentation		X	X		2
Bank deposit slips were missing					0
Documentation supporting bank deposit amount does not agree with the amount of the deposit					0
Incorrect posting to QuickBooks					0
Rebate from COSTCO not deposited to the ASB Fund					0
Cash refunds taken from daily cash collection					0
Library change fund missing					0
Undesignated donation not deposited into the ASB Fund's general fund account		X			1
Financial summaries and activity statements not provided to the school's club advisors					0
Posting error					0
Cash register totals do not agree with the amounts turned over to the financial office					0
Receipt Errors/Deficiencies Identified	0	4	4	2	10

Source: OIA analysis

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Table 2-b
ASB Internal Control Weaknesses and Compliance Deficiencies for Cash Receipts
Summarized by Middle Schools

	Middle Schools								Total
	Bell	Correia	DePortola	Lewis	Marshall	Memorial	Muirlands	Wilson	
Security of funds not adequate						X		X	2
Collections not receipted						X	X	X	3
Collections not deposited intact									0
Missing receipts		X							1
Daily closeout of cash register not performed									0
Receipts not used in sequence		X						X	2
Cash deposits and electronic rebates not recorded								X	1
Deposits not processed timely		X					X	X	3
No tally sheets or inadequate supporting documentation	X	X			X			X	4
Bank deposit slips were missing		X							1
Documentation supporting bank deposit amount does not agree with the amount of the deposit								X	1
Incorrect posting to QuickBooks									0
Rebate from COSTCO not deposited to the ASB Fund			X						1
Cash refunds taken from daily cash collection									0
Library change fund missing									0
Undesignated donation not deposited into the ASB Fund's general fund account						X			1
Financial summaries and activity statements not provided to the school's club advisors	X								1
Posting error	X								1
Cash register totals do not agree with the amounts turned over to the financial office	X								1
Receipt Errors/Deficiencies Identified	4	5	1	0	1	3	2	7	23

Source: OIA analysis

Table 2-c
ASB Internal Control Weaknesses and Compliance Deficiencies for Cash Receipts
Summarized by High Schools

	High Schools								Total
	Henry	Kearny	La Jolla	Lincoln	Mira Mesa	San Diego	SCPA	Serra	
Security of funds not adequate									0
Collections not receipted									0
Collections not deposited intact				X					1
Missing receipts				X					1
Daily closeout of cash register not performed									0
Receipts not used in sequence									0
Cash deposits and electronic rebates not recorded									0
Deposits not processed timely		X	X						2
No tally sheets or inadequate supporting documentation	X			X				X	3
Bank deposit slips were missing									0
Documentation supporting bank deposit amount do not agree with the amount of the deposit									0
Incorrect posting to QuickBooks		X							1
Rebate from COSTCO not deposited to the ASB Fund									0
Cash refunds taken from daily cash collection		X							1
Library change fund missing		X							1
Undesignated donation not deposited into the ASB Fund's general fund account									0
Financial summaries and activity statements not provided to the school's club advisors									0
Posting error									0
Cash register totals do not agree with the amounts turned over to the financial office									0
Receipt Errors/Deficiencies Identified	1	4	1	3	0	0	0	1	10

Source: OIA analysis

Determination of a Reasonable General Fund Account Balance

AP 2225 § C.5.b(4) requires that the ASB Fund be expended for the benefit of the school's current students. The AP appears to envision that the ASB Fund would have only a minimum general fund balance to cover contingencies. In one of the schools selected for this review, we identified that the general fund account had a very large balance that appeared excessive to the school's immediate needs. We estimated that the school's general fund account balance was in approximately six times its annual operating budget.

The principal and the ASB advisor told us that they are working with the student council to develop a plan to spend down the general fund account.

We identified that the absence of effective communication between the school's FC and the current and former principals may have contributed to this condition. As the FC became aware of the growing balance, the issue and amount may not have been communicated to the ASB advisor or the current and former principals so that corrective action could be taken. In discussions with us at the close of fieldwork and in response to our written comments and observations, the principal has agreed with the recommendation and started to take corrective actions to reduce the general fund balance.

The Finance Division did not appear to provide schools with effective guidance on the management of the balance in the general fund account. The absence of guidance does not permit the students, the ASB advisor, and principal to benchmark the ASB Fund's financial position against an acceptable standard. Further, it does not help to facilitate, if necessary, taking steps to reduce the general fund account balance to meet the acceptable range.

Recommendation

1. OIA recommends that the Chief Financial Officer take action to develop guidance to assist the schools' ASB Funds to implement best practices in management of their revenues and assets and to establish targets for appropriate balances for the general fund accounts.

Improved Documentation and Compliance Necessary to Reduce Transaction Risk

Our testing of the ASB disbursements included 22 tests and observations. Table 3 summarizes our testing results for the twenty schools we selected. Tables 3-a through 3-c provides summaries for the selected elementary, middle, and high schools by the type of schools.

In our tables a single transaction that we tested may have multiple errors.

OIA did observe some improvements in the controls and compliance with the District’s APs that impact disbursements. However, certain documentation requirements still appear to be an issue for the schools.

In 50 percent of the schools tested (10 of 20) the ASB requisition was not completed or did not have all the required signatures. This deficiency impacted 97 of the transactions that we tested. Thirty-five percent of the schools (7 of 20) did not have ASB or club minutes included with the disbursement documentation to support the disbursement. In 30 percent of the schools tested (6 of 20) the invoices were not cancelled or marked paid increasing the risk of duplicate payments to vendors. Schools did not retain invoices or the invoice supporting the disbursement was not appropriate in 25 percent of the schools tested.

Club advisors checklists required by AP 6240, *School Clubs, General*, were not completed or signed by the club advisor. In 5 of 20 schools (25 percent) the ASB Fund’s checking account was not reconciled and reviewed by the principal timely.

Table 3
ASB Internal Control Weaknesses and Compliance Deficiencies for Disbursements
Summarized by School Type

Transaction Test	Schools				Transactions Identified
	Elementary	Middle	High	Total	
Inappropriate ASB expenditures		1		1	1
No bids for purchase		2	1	3	4
Copy of the invoice was not retained or not appropriate		2	3	5	9
Invoice not cancelled or marked paid	1	3	2	6	60
Inappropriate invoice used to support the issuance of a check	1	2		3	4
Invoice amounts were added incorrectly resulting in an incorrect payment		1		1	2
Invoice did not equal the amount of the check	1	1		2	2
Duplicate payment			1	1	3
Requisition not completed or missing required signatures		7	3	10	97
Check issued with only one signature		1		1	1
Check numbers were recorded incorrectly in QuickBooks	2			2	5

(Continued)

Transaction Test	Schools				Transactions Identified
	Elementary	Middle	High	Total	
Voided checks – signature area not mutilated		1		1	2
ASB account had a negative balance			2	2	4
Inactive accounts		1	1	2	48
Monthly reconciliation not completed and signed timely	3	1	1	5	12
Monthly reconciliation did not agree with the cash per books			1	1	4
Bank statements were not retained		2		2	3
Duplicate entries in QuickBooks	1	1		2	9
Independent contractor agreements (ICA) missing or not signed by the contractor	1		1	2	2
Description of the item purchased on requisition did not match the items purchased		1		1	1
Purchase card used to purchase items sold by the ASB Fund		1		1	1
Purchases ship to address was employee and/or retiree	1		3	4	8
Constitution or statement of purpose missing			1	1	4
ASB/Club advisor checklist not completed/signed		3	3	6	19
Missing ASB/Club minutes approving expenditures		5	2	7	74
Missing approval to organize a school club		1		1	2
ASB Budget without approvals		1		1	1
ASB Fundraiser without approvals		1		1	1
Food prepared on campus		1		1	1
Change fund shortage		1		1	1
Check amounts do not equal receipt for purchases		1		1	16
Posting error		1		1	1
Security of blank check stock inadequate		1		1	1
Receipt Errors/Deficiencies Identified	11	44	25	80	403

Source: OIA analysis

Table 3-a
ASB Internal Control Weaknesses and Compliance Deficiencies for Disbursements
Summarized by Elementary Schools

Transaction Test	K-8 Elementary				Total
	Audubon	Grant	Language Academy	Longfellow	
Inappropriate ASB expenditures					0
No bids for purchase					0
Copy of the invoice was not retained or not appropriate					0
Invoice not cancelled or marked paid		X			1
Inappropriate invoice used to support the issuance of a check				X	1
Invoice amounts were added incorrectly resulting in an incorrect payment					0
Invoice did not equal the amount of the check				X	1
Duplicate payment					0
Requisition not completed or missing required signatures					0
Check issued with only one signature					0
Check numbers were recorded incorrectly in QuickBooks		X		X	2
Voided checks – signature area not mutilated					0
ASB account had a negative balance					0
Inactive accounts					0
Monthly reconciliation not completed and signed timely		X	X	X	3
Monthly reconciliation did not agree with the cash per books					0

(Continued)

Transaction Test	K-8 Elementary				Total
	Audubon	Grant	Language Academy	Longfellow	
Bank statements were not retained					0
Duplicate entries in QuickBooks				X	1
Independent contractor agreements (ICA) missing or not signed by the contractor	X				1
Description of the item purchased on requisition did not match the items purchased					0
Purchase card used to purchase items sold by the ASB Fund					0
Purchases ship to address of employee and/or retiree		X			1
Constitution or statement of purpose missing					0
ASB/Club advisor checklist not completed/signed					0
Missing ASB/Club minutes approving expenditures					0
Missing approval to organize a school club					0
ASB Budget without approvals					0
ASB Fundraiser without approvals					0
Food prepared on campus					0
Change fund shortage					0
Check amounts do not equal receipt for purchases					0
Posting error					0
Security of blank check stock inadequate					0
Receipt Errors/Deficiencies Identified	1	4	1	5	11

Source: OIA analysis

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Table 3-b
ASB Internal Control Weaknesses and Compliance Deficiencies for Disbursements
Summarized by Middle Schools

Transaction Test	Middle Schools								Total
	Bell	Correia	DePortola	Lewis	Marshall	Memorial	Muirlands	Wilson	
Inappropriate ASB expenditures					X				1
No bids for purchase			X		X				2
Copy of the invoice was not retained or not appropriate		X		X					2
Invoice not cancelled or marked paid				X			X	X	3
Inappropriate invoice used to support the issuance of a check		X						X	2
Invoice amounts were added incorrectly resulting in an incorrect payment				X					1
Invoice did not equal the amount of the check								X	1
Duplicate payment									0
Requisition not completed or missing required signatures	X	X	X	X		X	X	X	7
Check issued with only one signature				X					1
Check numbers were recorded incorrectly in QuickBooks									0
Voided checks – signature area not mutilated							X		1
ASB account had a negative balance									0
Inactive accounts	X								1
Monthly reconciliation not completed and signed timely								X	1
Monthly reconciliation did not agree with the cash per books									0
Bank statements were not retained		X						X	2
Duplicate entries in QuickBooks								X	1
Independent contractor agreements (ICA) missing or not signed by the contractor									0
Description of the item purchased on requisition did not match the items purchased				X					1
Purchase card used to purchase items sold by the ASB Fund							X		1
Purchases ship to address was employee and/or retiree									0
Constitution or statement of purpose missing									0
ASB/Club advisor checklist not completed/signed	X		X				X		3
Missing ASB/Club minutes approving expenditures	X		X	X	X			X	5
Missing approval to organize a school club			X						1
ASB Budget without approvals					X				1
ASB Fundraiser without approvals							X		1

(Continued)

Transaction Test	Middle School								Total
	Bell	Correia	DePortola	Lewis	Marshall	Memorial	Muirlands	Wilson	
Food prepared on campus							X		1
Change fund shortage	X								1
Check amounts do not equal receipt for purchases	X								1
Posting error	X								1
Security of blank check stock inadequate	X								1
Receipt Errors/Deficiencies Identified	8	4	5	7	4	1	7	8	44

Source: OIA analysis

Table 3-c
ASB Internal Control Weaknesses and Compliance Deficiencies for Disbursements
Summarized by High Schools

Transaction Test	High School								Total
	Henry	Kearny	La Jolla	Lincoln	Mira Mesa	San Diego	SCPA	Serra	
Inappropriate ASB expenditures									0
No bids for purchase		X							1
Copy of the invoice was not retained or not appropriate		X		X			X		3
Invoice not cancelled or marked paid		X		X					2
Inappropriate invoice used to support the issuance of a check									0
Invoice amounts were added incorrectly resulting in an incorrect payment									0
Invoice did not equal the amount of the check									0
Duplicate payment					X				1
Requisition not completed or missing required signatures		X		X		X			3
Check issued with only one signature									0
Check numbers were recorded incorrectly in QuickBooks									0
Voided checks – signature area not mutilated									0
ASB account had a negative balance		X	X						2
Inactive accounts				X					1
Monthly reconciliation not completed and signed timely			X						1
Monthly reconciliation did not agree with the cash per books					X				1
Bank statements were not retained									0
Duplicate entries in QuickBooks									0
Independent contractor agreements (ICA) missing or not signed by the contractor					X				1

(Continued)

Transaction Test	High School								Total
	Henry	Kearny	La Jolla	Lincoln	Mira Mesa	San Diego	SCPA	Serra	
Description of the item purchased on requisition did not match the items purchased									0
Purchase card used to purchase items sold by the ASB Fund									0
Purchases ship to address was employee and/or retiree				X	X		X		3
Constitution or statement of purpose missing		X							1
ASB/Club advisor checklist not completed/signed		X		X		X			3
Missing ASB/Club minutes approving expenditures						X		X	2
Missing approval to organize a school club									0
ASB Budget without approvals									0
ASB Fundraiser without approvals									0
Food prepared on campus									0
Change fund shortage									0
Check amounts do not equal receipt for purchases									0
Posting error									0
Security of blank check stock inadequate									0
Receipt Errors/Deficiencies Identified	0	7	2	6	4	3	2	1	25

Source: OIA analysis of financial data

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Payment for Website Maintenance

Our testing at the Marshall Middle School found the ASB Fund partially paid, \$1,800, for the maintenance of the school's webpage. The school's parent teacher organization paid for balance of the annual maintenance cost.

When this issue was brought to the principal's attention, OIA received a response stating:

I firmly believe that the MMS ASB should pay for half of the MMS website since this is a student website for students. We do not use the SDUSD website service and we pay for a separate service.

In OIA's opinion, a webpage is part of the communication tools used by the school for the parents, students, and staff. The cost for the webpage's maintenance would be similar to other instructional/operational supplies purchased by the school for the benefit of the students and staff. Using the ASB Fund to supplant the District's funds is prohibited by AP 2225 §§ C.5.a, C.6.g. The school's response did not provide additional data that caused us to change our position.

Recommendation

2. OIA recommends that the CFO should determine whether the use of the ASB Fund to pay for the maintenance of the Marshall Middle School's website is an appropriate expenditure of ASB resources, and whether reimbursement of the ASB Fund from District or other funding sources is warranted.

Cash Position of the ASB Funds at the Selected Schools

The following tables present the cash position of the schools ASB Funds selected for review. These cash positions listed in the following tables may be impacted by adjustments and transactions that were not included in the cash position including savings accounts, certificates of deposit, and other investment accounts. The inclusion of these adjustments and accounts are needed to accurately reflect the individual ASB Fund's cash position.

The District in its 30 June 2015 annual financial report reported that the ASB Fund's cash balance was \$7,116,869. The 1 July 2015 opening checking account balances of the schools we selected represent 27 percent of the cash balance included in the annual financial report.

During our review period the sampled schools received \$ 2,027,215 and disbursed \$1,456,215. The ending cash balances at the schools totaled \$2,470,116. The high schools in our sample accounted for 71 percent and the middle schools accounted for 21 percent of the ending cash balances.

As previously noted in the Scope Limitation section of this report, the ASB Funds transitioned banking services providers during our review period. We have adjusted the amounts in the following tables to eliminate the cash transactions necessary to transition between banking services providers.

Table 4: ASB Cash Balances and Activity by School Type

	School Type			Total ^a
	Elementary	Middle	High	
Opening Balance	\$63,074	\$465,558	\$1,371,022	\$1,899,654
ADD: Receipts	51,384	382,085	1,593,746	2,027,215
LESS: Disbursements	22,246	224,991	1,209,517	1,456,754
Closing Balance ^a	\$92,212	\$622,652	\$1,755,252	\$2,470,116

Source: ASB Fund accounting system and bank statements.

Notes: ^a Closing balance amounts do not agree with detail due to rounding.

Table 4-a
ASB Fund Checking Account Balances, Receipts and Disbursements
for the period 1 July 2015 through 31 December 2015
Summarized by Elementary Schools

Activity	K-8 Elementary Schools				Total ^a
	Audubon	Grant	Language Academy	Longfellow	
Opening Balance – 1 July 2015	\$6,097	\$17,575	\$12,215	\$27,187	\$63,074
ADD: Receipts	876	43,703	1,389	5,416	51,384
LESS: Disbursements	196	13,916	1,015	7,120	22,246
Closing Balance – 31 December 2015 ^a	\$6,777	\$47,362	\$12,590	\$25,483	\$92,212

Source: ASB Fund accounting system and bank statements.

Notes: ^a Closing balance amounts do not agree with detail due to rounding.

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Table 4-b
ASB Fund Checking Account Balances, Receipts and Disbursements
for the period 1 July 2015 through 31 December 2015
Summarized by Middle Schools

Activity	Middle Schools								Total ^a
	Bell	Correia	DePortola	Lewis	Marshall	Memorial	Muirlands	Wilson	
Opening Balance – 1 July 2015	\$184,383	\$ 773	\$ 27,061	\$65,025	\$126,823	\$13,868	\$10,428	\$37,197	\$465,558
ADD: Receipts	17,519	58,057	107,871	39,776	101,379	9,185	7,901	40,396	382,085
LESS: Disbursements	10,640	27,476	50,695	36,003	52,604	3,078	3,326	41,167	224,991
Closing Balance – 31 December 2015 ^a	\$191,262	\$31,355	\$ 84,237	\$68,797	\$175,598	\$19,975	\$15,003	\$36,426	\$622,652

Source: ASB Fund accounting system and bank statements.

Notes: ^a Closing balance amounts do not agree with detail due to rounding.

Table 4-c
ASB Fund Checking Account Balances, Receipts and Disbursements
for the period 1 July 2015 through 31 December 2015
Summarized by High Schools

Activity	High School								Total ^a
	Henry	Kearny	La Jolla	Lincoln	Mira Mesa	San Diego	SCPA	Serra	
Opening Balance – 1 July 2015	\$324,577	\$118,691	\$113,457	\$111,089	\$161,043	\$269,133	\$126,766	\$146,265	\$1,371,022
ADD: Receipts	281,440	95,133	129,361	67,495	496,171	151,496	188,135	184,517	1,593,746
LESS: Disbursements	158,923	100,031	96,447	54,516	397,051	116,599	131,412	154,538	1,209,517
Closing Balance – 31 December 2015 ^a	\$447,094	\$113,792	\$146,371	\$124,069	\$260,162	\$304,030	\$183,489	\$176,244	\$1,755,252

Source: ASB Fund accounting system and bank statements.

Notes: ^a Closing balance amounts do not agree with detail due to rounding.

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Turnover of Financial Personnel

Several of the schools that we included in our sample for this project were impacted by the turnover at the financial clerk's position. This turnover impacted the financial operations of the ASB Fund. We noted that a non-financial clerk would be assigned to "cover the financial clerk's duties" until a replacement could be identified. According to some school staff and managers that we interviewed, the replacement financial clerks are often at a loss when trying to process transactions and maintain the necessary documentation. This included using the financial accounting system to generate checks to pay vendors, reconcile bank accounts, and generate various reports. As a result, we noted a number of weaknesses, including some critical control functions.

The District has not developed a training guide/reference manual that can be provided to the replacement financial clerks to assist them in maintaining the ASB Fund until a replacement is identified. At the middle and high school levels, due to the volume of ASB Fund operations and transactions this type of document is necessary to provide the necessary guidance to allow the substitute clerks to function and complete critical functions within the ASB Fund. This guide/manual could be used as a reference document for the financial clerks and elementary school assistants.

Recommendations

3. OIA recommends that the develop a training guide/reference manual for use by the District's clerks assigned to substitute for the schools' permanently assigned financial clerks and elementary school assistants.

Responses from the Schools

At the close of fieldwork for each school OIA provided our comments, observations, and recommendations to each of the principals of the selected schools. We requested that they provide their comments to our recommendations and corrective action plans for the recommendations. We received comments from 19 of the 20 schools reviewed. The Principal, Marshall Middle School, did not concur with our recommendation to return to the ASB Fund the monies used for the maintenance of the school's webpage. The remainder of the principals generally concurred with the recommendations and provided corrective actions that addressed the recommendations. Due to the volume of these responses we did not include them in this report.

Contributors

The following OIA staff had significant involvement in the fieldwork and preparation of this report: Ines Abitria, Auditor; Jaime Buensuceso, CFE, Auditor; Susan Jarrold, Audit Manager; and Clark Simington, CIA, CGAP, Audit Manager.

Copies of the final report will be provided to the Board of Education, Audit and Finance Committee, General Counsel, Chief of Staff, Area Superintendents, and the Principals of the selected schools. A copy of the report will be placed on the District's website at <https://www.sandiegounified.org/audit-reports>.

Should you have any questions on this report, please contact me at jcashmon@sandi.net or at 619.725.5696.




John M. Cashmon
Director, Internal Audit

Appendix I: Comments from the Chief Financial Officer



San Diego Unified
SCHOOL DISTRICT

Jenny Salkeld
Chief Financial Officer
Finance Division
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619.260.5443 • 619.725.7692 fax

TO: J. Cashmon
FROM: J. Salkeld 
DATE: June 5, 2016
**SUBJECT: RESPONSE – ASSOCIATED STUDENT BODY FUNDS –
REVIEW OF CASH RECEIPTS AND DISBURSEMENTS**

In response to the recommendations noted on page 3 of the report, the Chief Financial Officer reviewed the details and concurs in principle with the findings. Below are the specifics and the anticipated timeframes to address:

Recommendation #1: Associated Student Body (ASB) Fund Balances

The Chief Financial Officer and the Financial Accounting staff will review the ASB fund balances as of June 30, 2016. School ASBs with significant fund balances, typically noted in the QuickBooks 3000 account, will be sent a communication by the Chief Financial Officer to provide an explanation for the expenditure or maintenance of the fund balances. The communication will be sent by December 31, 2016 in alignment with the year-end audit process.

Recommendation #2: ASB Webpage Maintenance Costs

The Chief Financial Officer concurs in principle with the finding but will discuss with the Marshall Middle School Principal for the specifics of the ASB webpage expenditure. A determination of the accounting of the expenditure will be made by July 31, 2016.

Recommendation #3: ASB Guidance and Training Manual

The Chief Financial Officer concurs with the finding and will continue with the ongoing communications and trainings to new site financial staff to address the concerns noted in the report. On a monthly basis, the Chief Financial Officer contacts new staff to provide ASB resources and contact information, including a reference to the training manual and presentations located at <https://www.sandi.net/staff/secondary-schools-office/asb-handbook#overlay-context=secondary-schools-office/associated-student-body>. Training topics and sessions for the 2016-17 school year are currently being developed and will be posted to the district's Electronic Registrar Online (ERO) website by July 31, 2016. A review of the training manual for any applicable updates will be made by December 31, 2016.

JS:dn

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