



Report to the Interim Chief  
Financial Officer, Chief Human  
Resources Officer, Area  
Superintendent – Area 4, and the  
Principal, Cadman Elementary  
School

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February, 2017

# **CADMAN ELEMENTRAY SCHOOL**

Follow-up of the Review of  
Financial Operations

## **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.



28 February 2017

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The Office of Internal Audit (OIA) initiated a follow-up review on our report the Cadman Elementary School's (Cadman) financial operations issued in July 2015. We included the original review as part of our fiscal year 2014 (FY-14) annual work plan.

The original report included 19 recommendations addressing weaknesses in the systems of internal controls, and compliance with the San Diego Unified School District's (District or SDUSD) administrative procedures. The Cadman Principal and the former Chief Financial Officer (CFO) generally agreed with our recommendations and outlined a series of corrective actions that would be taken. We did not receive responses from the Chief Human Resources Officer (CHRO) and the Area Superintendent, Area 4 (AS-4) to the recommendations addressed to them in the original report.

The intent of this review is to determine whether corrective actions were taken on the original report's recommendations, and whether they were effective in addressing the causes and conditions cited in the original report.

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## **Background**

Cadman is a Kindergarten through 5<sup>th</sup> Grade elementary school employing the District's traditional calendar. As of 31 December 2016, Cadman's enrollment was 192 students. The authorized staff level as of 31 December 2016 was 25 individuals.

The original review included three distinct financial operations within Cadman: the Associated Student Body (ASB) Fund, the SDUSD purchase card (P-Card) program, and the time and labor (T&L) recording and reporting systems. In the following paragraphs OIA provides a brief explanation of each area.

The ASB fund is to be used for two purposes only (1) promotion of the general welfare, education, and morale of the students, and (2) finance the approved extracurricular activities of the school. ASB funds are used to finance the noncurricular activities of the school beyond the funding provided by SDUSD. At the elementary school level, the ASB Fund may be used to finance activities for noninstructional periods or the enrichment of programs provided by SDUSD.<sup>1</sup>

The ASB Fund is accounted for in a manner similar to a trust fund and the school's principal is the sole trustee with a duty to preserve the assets of the ASB Fund for the benefit of Cadman's current students.<sup>2</sup> The principal is permitted to delegate the authority to perform certain ASB operations to other school staff, e.g. at the elementary school level, the principal's advisory committee.<sup>3</sup> However, the authority and responsibility for the operation of the ASB Fund remains solely with the principal.

The District operates a P-Card program to provide schools and central office organizations with the ability to purchase small amounts of goods without the intervention of the District's Strategic Sourcing and Contracts Department. The use of the P-Card increases the flexibility and decreases the procurement times of the school or central office organization.

The P-Card operates in the same manner as a personal or commercial credit card. The District's P-Card procedures require that only the P-Cardholder physically have custody and control of the P-Card, and this individual is the only individual authorized to make a purchase using the card.<sup>4</sup> The P-Card's approving official (AO) reviews and authorizes the purchases, reviews and retains the documentation to support the purchases, and approves the monthly P-Card reconciliation for the school or central office organization. The single, daily and monthly transaction limitations are established by the Finance Division.

The SDUSD T&L system is a negative payroll system, in which the employee is assumed to be at their assigned location and working the hours assigned. If this is not the case the school or central office

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<sup>1</sup> Administrative Procedures (AP) 2225; *Administration of Student Body Funds*; 16 December 2002; §§ C.5.a. and b.

<sup>2</sup> AP 2225 § C.4.b.

<sup>3</sup> AP 2225; § C.4.d.

<sup>4</sup> San Diego Unified School District, Finance Division; *Purchase Card Policy and Procedures Manual*; September 2011 and January 2015; both documents have similar requirements and apply to the periods covered by the original review.

organization reports the date, and hours away from their normal assignment, and the reason in the T&L system. The school or central office organization reports any additional hours worked by their staff members, including the type of hours worked in the T&L system. In case of an absence from their normal duties or additional time worked a time card approved by the principal or organization head supports the date and number of hours worked.

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## Prior Results

In our July 2015 report, we stated that Cadman’s systems of internal control did not provide a reasonable assurance that the transactions involving the ASB Fund, P-Card, and T&L were not recorded timely, complied with applicable laws, regulations, Board of Education (BOE) policies, and APs. The system of controls did not effectively ensure that the ASB and District’s assets were safeguarded, and assured the reliability of the reports and individual transactions generated by Cadman.

Our original report contained 15 findings and 19 recommendations. In addition to the Cadman Principal the recommendations were addressed to the CFO, CHRO, and the AS-4.

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## Results in Brief

Of the 19 recommendations in the original report, we were able to determine a corrective action for:

- One recommendation [Recommendation 1] was overtaken by events and the recommendation has been closed;
- Two recommendations [Recommendations 7 and 8] were partially implemented by the addressees; and the
- Status of 16 recommendations could not be determined as OIA did not receive a response from the addressee.

OIA did not receive responses to our follow-up requests from the CHRO for two recommendations, and the Cadman Principal for 15 recommendations. Appendix I provides a summary of the original report’s 19 recommendations and the corrective actions reported to us.

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## Objectives and Scope

The objective of this review was to determine whether the individuals addressed in the recommendation had taken actions to implement the recommendations included in the original report. To meet this objective OIA:

- Requested responses from the CFO, CHRO, AS-4 and the Cadman Principal to determine the corrective actions taken since the release of the original report; and
- Reviewed the prior responses and any available supporting

documentation to determine the extent of the corrective actions.

The absence of updated responses did not allow us to determine the extent of any corrective actions that were taken. In the instant of Recommendation 1, OIA determined that the ESA who operated the ASB Fund at the time of the review had left the District's employ. For the recommendations 7 and 8, addressed to the CFO, OIA determined that the ASB training noted in the original response had taken place. We were unable to obtain information related to the updating of Administrative Procedure 2245.

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OIA provides copies of this final report to the Board of Education, Audit and Finance Committee, Superintendent of Public Education, General Counsel, and the Chief of Staff. An electronic copy of this report will be added to the District's web page at <https://sandiegounified.org/audit-reports>.

Should you have any questions regarding this report or our work, please contact me at [cashmon@sandi.net](mailto:cashmon@sandi.net) or 619.725.5696.



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## Appendix I: Recommendation Status – Cadman Elementary School Follow-up

Rec.	Original Recommendation	Response included in the Report	Estimated Completion Date	Actions Taken on the Recommendation
1	The Chief Human Resources Officer (CHRO) and the Area Superintendent, Area 4 (AS-4) should determine the appropriate action to take, if any, for the individuals who did not comply with the requirements for the operation of the ASB Fund.	No response received.	None provided.	<u>Corrective action overtaken by events.</u>  Response was not received from the CHRO.  The AS-4 in a response stated, <i>It is the understanding of the Area 4 Superintendent that the employee who failed to reply with the ASB operation requirements has either resigned or was terminated. No further action is required.</i>
2	The CHRO should determine whether the former Elementary School Assistant’s (ESA) personnel records should include the annotation “DO NOT REHIRE” based on the issues raised in this report.	No response received.	None provided.	Response was not received from the CHRO.
We recommend that the Cadman Principal take the following actions:				
3	Separate the duties to the extent possible for the custody, reconciliation, authorization, and bookkeeping functions of the ASB cash receipts process to ensure that accountability and transparency are maintained.	Until 2014 – 15, there was only an ESA and the Site Principal in the office. The ESA received all the mail and obviously had too much access in the office since she was alone. A cross referencing system has been put into place where the Site Principal conducts monthly checks of all the accounting for funds to ensure that all processes are followed appropriately. All bank statements are given to the Site Principal upon arrival through the mail.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
4	Validate the accuracy and completeness of the deposit transactions to the original receipt(s), as part of the reviews of the ASB Fund bank statements, reconciliations, and monthly financial statements.	Until 2014 – 15, there was only an ESA and the Site Principal in the office. The ESA received all the mail and obviously had too much access in the office since she was alone. A cross referencing system has been put into place where the Site Principal conducts monthly checks of all the accounting for funds to ensure that all processes are followed appropriately. All bank statements are given to the Site Principal upon arrival through the mail.	31 July 2015.	Undetermined a response was not received from the Principal, Cadman Elementary School.
5	Require that the ESA maintain a control log for the bank deposit bags, using the bag’s serial number; and require that all unusable and destroyed bags are retained in a manner similar to voided checks.	Unusable bags were kept, but were destroyed when the ESA opened the bags that already had been accounted for. The bag numbers are put in the logbook after the money is placed in the bags. All money will continue to be counted in the Principal’s office with 2 or more persons handling the money.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.

Rec.	Original Recommendation	Response included in the Report	Estimated Completion Date	Actions Taken on the Recommendation
6	Require that the ASB Fund bank statements, account reconciliations are reviewed monthly and the items reviewed show evidence of review and any necessary adjustments.	Until 2014 – 15, there was only an ESA and the Site Principal in the office. The ESA received all the mail and obviously had too much access in the office since she was alone. A cross referencing system has been put into place where the Site Principal conducts monthly checks of all the accounting for funds to ensure that all processes are followed appropriately. All bank statements are given to the Site Principal upon arrival through the mail.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
7	The CFO and AS-4 should determine the training that is necessary for the Cadman Principal and staff. The training based on the CFO and AS-4 determination should be targeted to address the most immediate requirements first.	<p><i>Response from the CFO:</i></p> <p>The Finance and Internal Audit teams will be holding ASB training sessions in the Fall for principals, ASB Advisors, Financial Clerks and Elementary School Assistants. The training will highlight the day to day business activities of managing student funds, policies, procedures, and compliance requirements. The school staff is highly encouraged to attend these sessions. In the interim, if there are immediate questions regarding the accounting application, QuickBooks, and procedures the school staff may contact the Financial Accounting Department for assistance.</p> <p><i>No response was received from the AS-4</i></p>	31 October 2015	<p><u>The corrective action is partially complete.</u></p> <p>The training sessions referred to in the response were held from 26 – 30 October 2015. The Cadman Principal did attend one of the sessions.</p> <p>The AS- responded: <i>It is the recommendation of the Area 4 Superintendent that Cadman’s new Elementary School Assistant attend the ASB Fundraising/Billing training offered by the district. The Area 4 Superintendent also recommends that the Cadman principal attend the trainings as well so she will be able to oversee the day-to-day ASB activities and ensure compliance with the procedures.</i></p>
8	The CFO should take action to update Administrative Procedure (AP 2245) to review the guidance provided in the other APs, outline the required internal controls for cash handling and management, and to reflect the current banking practices.	The Finance management will review Administrative Procedure 2245 for any applicable updates required. The District is currently transitioning banking services to J.P. Morgan Chase Bank and anticipates a completion by 31 October 2015. The procedure will be reviewed and any applicable changes made prior to 31 December 2015.	31 December 2015	<p><u>The corrective action is partially complete.</u></p> <p>The transition to J.P. Morgan Chase was completed prior to 31 October 2015. However, AP 2245 was not updated to reflect the changes in procedures.</p>



Rec.	Original Recommendation	Response included in the Report	Estimated Completion Date	Actions Taken on the Recommendation
We recommend the Cadman Principal take the following actions:				
9	Establish a system of internal control for all cash receipts and disbursements processed through Cadman. Ensure that this system is compliant with the applicable APs for the ASB Fund.	The Site Principal has met with the new ESA during the months of March – June and discussed the procedures and policies regarding receipts. Both the ESA and the Principal will attend the ASB training that will be offered by the District in the fall. It is the intention of the Site Principal to follow all procedures outlined by the district and to ensure that the staff at Cadman is also in compliance.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
10	Prohibit the ESA from disbursing any funds from any ASB account when the proposed disbursement would exceed the balance available in the trust/activity account.	The Site Principal will put into writing that the ESA may not distribute any funds without the written permission of the Site Principal, along with the other procedures that will be followed. During the winter and spring of 2014, the Site Principal was suffering from a tumor in her spinal column. She never gave the ESA permission to move any funds around or to leave any of the accounts in a negative balance, which had not happened before. Unfortunately, the ESA was trying to cover her theft and took advantage of the Site Principal not feeling well.	31 December 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
11	Maintain all requests for fundraising with the ASB Fund’s financial records.	Requests for fundraising were approved by the Principal in the PTA minutes and the ASB minutes. APs 2265 & 9325 are now in place and signed by the Site Principal. The will be included in the ASB Financial records.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
12	For all fundraisers approved with APs 2265 and 9325 ensure that the documentation for the fundraising results is included with the ASB Fund’s financial records.	Requests for fundraising were approved by the Principal in the PTA minutes and the ASB minutes. APs 2265 & 9325 are now in place and signed by the Site Principal. The will be included in the ASB Financial records.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.

Rec.	Original Recommendation	Response included in the Report	Estimated Completion Date	Actions Taken on the Recommendation
13	Require that the P-Cardholder and the Approving Official (AO) validate all vendor charges; include the appropriate sales/use tax, and the system to be adjusted to reflect the sales/use tax due, when appropriate.	It has been noted by the Site Principal that the vendor changes of not charging sales tax cannot be charged electronically when the P-Card statement is reconciled. This will be written on the bank statements	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
OIA recommends that the Cadman Principal take the following corrective actions				
14	Require that the ESA provide complete documentation for all ASB checks. The documentation should be provided as part of the verification and signature process used by the Principal before the checks are released.	The ESA did not have all of the original receipts for the ASB transactions. The Site Principal did check for these receipts to make sure they were accounted for. Due to the disorganization and destroying records by the ESA, receipts were missing. The Site Principal will keep the ASB book in her office from now on. When the new ESA returns to school in August, the Site Principal will go over all of the procedures stated in this audit. Progressive discipline measures will be discussed to ensure compliance of the district procedures if needed.	31 August 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
15	Require the Cadman timekeeper ensure that all timecards, approved leave requests, and other supporting documentation are in place prior to entry into the payroll system.	Because the Site Principal was aware that the time cards were not being collected effectively, a cross check procedure was put in place using a small calendar on the ESA's desk and disciplinary action was being taken. Time sheets and calendar were missing when the ESA was asked to produce these documents for the audit. Cross-checks have been put in to place using the SAMS sheets. All of this documentation has been placed in a notebook and check marks have been made to indicate entry into the payroll system. The entire staff has been spoken to during staff meetings about the importance of time cards and the accuracy of what is written on them. Information regarding what is written on them. Information	30 September 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
16	Develop a document retention system that will provide a reasonable assurance that all documentation supporting the payroll is retained and safeguarded.			
17	Conduct as part of the reviews of the <i>Audit Paid to Reported Time Reports</i> a verification process that ensures the documentation needed to support the payroll exceptions are available and accessible.			

Rec.	Original Recommendation	Response included in the Report	Estimated Completion Date	Actions Taken on the Recommendation
17		regarding time cards will be written in the staff bulletin beginning in the fall of 2015.	30 September 2015	
18	Require that the P-Cardholder to ensure that all transactions have original invoices to support the charges, and direct the Cadman AO to verify that the original receipts are retained for all transactions.	The ESA did not have original receipts for all the ASB transactions. The Site Principal did check these receipts to make sure they were accounted for. Due to the disorganization and destroying records by the ESA, receipts were missing. The Site Principal will keep the ASB book in her office from now on. When the new ESA returns to school in August, the Site Principal will go over all of the procedures stated in this audit. Progressive discipline measures will be discussed to ensure compliance with district procedures if needed.	31 July 2015	Undetermined a response was not received from the Principal, Cadman Elementary School.
19	Require that the ESA insure that a vendor payment form is completed for all ASB vendors. Once completed, the forms should be forwarded to the Finance Division for tracking of payments and required reporting.	No response received.	Not determined	Undetermined a response was not received from the Principal, Cadman Elementary School.