



Report to the Principal, Bethune K-8 Elementary School

March, 2017

BETHUNE K-8 ELEMENTARY SCHOOL

Follow-up Review of Associated Student Body Fund's 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 actions to be taken will be made by the appropriate San Diego Unified School District officials.

2 March 2017

Valerie Jurado
Principal
Bethune K-8 Elementary School
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The Office of Internal Audit (OIA) conducted a follow-up review of our July 2015 report on the financial operations of the Associated Student Body (ASB) Fund at Bethune K-8 Elementary School (Bethune). The original review was requested by the former principal as a result of the change of the Administrative Aide (AA). A permanent principal was appointed effective 11 January 2016.

The July 2015 report contained three findings and seven recommendations. The former principal in her response to our report generally concurred with the recommendations and provided a series of corrective actions to address our recommendations.

Bethune's permanently assigned Administrative Aide (AA), whose duties included the financial operations of the ASB Fund, has been on a leave of absence since 11 October 2016. Subsequently Bethune was assigned a temporary AA until 18 January 2017, when the permanently assigned AA returned to work. A high level of staff turnover and the absence of training for the principal in the operations of the ASB Fund may have been a factor in the conditions that we identified in the balance of this report.

The intent of this review is to determine whether: (1) Bethune took action to address the recommendations in the original report; (2) the actions taken were effective in addressing the cause (s) of the conditions cited in the report; and (3) the recommendations were fully implemented by the new Bethune principal.

Background

Bethune is a kindergarten through eighth grade elementary school that formerly operated with the San Diego Unified School District's (District's or SDUSD's) year-round calendar. As of school year 2017 (SY-17) Bethune now operates on a traditional calendar. As of 16 December 2016, Bethune has an active enrollment of 605 students.

At the elementary school level, the school's principal, in addition to having the authority and responsibility of the operation of the ASB Fund, is the ASB Fund's sole trustee. As the trustee, the principal has the responsibility for the preservation of the ASB Fund assets for the benefit of the current students. The principal may delegate some of the responsibilities for the ASB Fund's daily operation to the AA. This delegation may include: responsibility for the receipt and processing of funds for the ASB Fund accounts, recording of the

financial transactions (receipts and disbursements) for the ASB Fund preparation of checks and acting as a signatory for the checks, and preparing the ASB Funds monthly financial statements.

Prior Results

Our July 2015 report included three findings identified during the audit period 1 July 2014 through 30 April 2015. The report findings are summarized below.

The original report's findings were:

- ASB Fund failed to comply with the APs related to safeguarding and processing of collections; and Exposed the collections to a significant increase in the risks of manipulation and misappropriation;
- Absence of compliance with the prescribed APs for accounting student funds resulted in Bethune students being denied the use of the ASB Fund general fund, trust, and activity accounts assets.
- Failure to provide the necessary assurances that all transactions were properly documented, processed and approved by various ASB Fund related APs.

Results in Brief

OIA did not receive a response to our request for information on the status of the recommendations included in our original report. We determined an on-site follow-up was warranted to determine if the recommendations were implemented and what corrective actions were taken by Bethune. Table 1 provides a summary of the recommendations and the actions taken or implemented by Bethune based on our follow-up review of the ASB Funds.

Table 1: Prior Recommendation Status

Rec.	Report's Recommendation	Current Status	Actions Taken by Bethune per OIA's Review
The Bethune Principal should take the following corrective actions:			
1	Require that all ASB Funds be receipted and deposited intact within one business day of receipt of the funds.	Implemented	Funds were deposited in a timely manner.
2	Determine whether a change fund is warranted at Bethune. If the fund is warranted, require that it be recorded in the ASB books of account. Conduct periodic surprise cash counts of the change fund and obtain and document explanations for any difference.	Implemented	The change fund was eliminated and the funds were returned to the ASB general fund account.
3	Prohibit the use of the ASB Fund receipts for the payment of any type of expenses.	Implemented	Checks were used for payment of expenses.
The Principal should take the following corrective action measures:			
4	Require that the AA comply with ASB Fund APs related to the holding, processing, documenting and accounting for all cash receipts.	Implemented	The current AA complies with ASB Fund related controls for cash receipts.

Rec.	Report's Recommendation	Current Status	Actions Taken by Bethune per OIA's Review
5	Review with the Bethune Student Council on an annual basis all ASB Fund accounts that have been inactive one year or more at the date of the review and (a) the accounts should be closed and any remaining balance transferred to the ASB Fund general fund account; (b) obtain the Student Council's approval to close the designated accounts; (c) document the results of the Student Council's determination in the minutes for that meeting; and (d) direct the AA to close the accounts and transfer any balance to the ASB Fund's general fund account.	Implemented	There are no inactive accounts as of 31 December 2016.
6	Require the ASB advisor, "student store sponsor", or the AA to (a) conduct a complete physical inventory for the merchandise available for sale and compile the results of the inventory; (b) require the AA to enter the results of the inventory and any adjustments into the ASB Fund financial system prior to the year-end close of the system; and (c) for all significant changes in inventory amounts (± 5 percent) obtain and document the explanations for the change.	Not Implemented	Inventory for merchandise available for sale such as uniforms were not taken at the end of the year. The inventory account per books has not been adjusted since 30 June 2012 distorting the financial position of the ASB Fund.
7	OIA recommends that the Principal require that the AA ensure that all requisitions, purchase orders, and disbursements are approved and documented in compliance with the applicable APs.	Implemented	All ASB requisitions and disbursements have approvals.

Source: OIA review of ASB Fund

Additional Results

As part of the follow-up review process at Bethune, we reviewed the financial operations of the ASB Fund for the period 1 July through 31 December 2016. We identified additional areas of non-compliance with the District's administrative procedures (AP), inappropriate purchases using the ASB Fund, and record retention practices. The balance of this report discusses our findings in these areas and provides recommendations for improvement of compliance with the APs. As a result of our work we identified \$5,473 in questioned costs.

Compliance with APs is Inconsistent

AP 2225, *Administration of Student Body Funds*, places the complete authority and responsibility for the operation of the ASB Fund on the school's principal. At the elementary school level, the principal is the sole trustee of the ASB Fund, and is required to ensure that the financial activities of the ASB Fund operate in accordance with the APs.¹ This same AP requires that the ASB financial activities be operated in compliance with best business practices and sound budgetary and accounting procedures.²

The processing of ASB Fund cash receipts is generally governed by AP 2245, *ASB Deposits, Authorized Bank*, AP 2235 *Standard Student Body Receipts*, and AP 2236, *Student Body Cash Collection, Supplementary Receipts*.

¹ AP 2225, § C.4.b

² AP 2225, § C.6.b

The processing of the ASB Fund disbursements is governed by AP 2247, *Student Body Checks*, and AP 2225.

Cash Receipt Collections

We compared the cash receipts recorded on the supplementary receipts to the master receipts and deposits for the period 12 through 14 December 2016. Our comparison testing identified a shortage of \$26 between the amount initially received on the supplementary receipts and the master receipt and the amount deposited into the ASB bank account. AP 2245 § C.4 requires that all funds received by or for the ASB Fund be deposited intact on the same day as it is received.

Table 2: Deposit Shortages

Sub Receipt Date	Sub Receipt Number	Amount	Subtotal	Master Receipt Date	Master Receipt Number	Amount Deposited	Shortage
12 Dec 16	1353767	\$ 100.00	\$ 952.00	15 Dec 16	207828	\$ 940.00	\$12.00
13 Dec 16	1353768	288.00					
	1353769	90.00					
	1353770	98.00					
	1353771	288.00					
13 Dec 16	1353772	88.00					
13 Dec 16	1353773	24.00	1,258.00	15 Dec 16	207829	1,244.00	14.00
14 Dec 16	1353774	180.00					
	1353775	200.00					
	1353775	108.00					
	1353777	140.00					
	1353778	198.00					
	1353779	108.00					
	1353780	300.00					
Total Receipted and Deposited		\$2,210.00	\$2,210.00			\$2,184.00	\$26.00

Source: OIA analysis of the Books of Account and bank statements

AP 2235 § D.2 states that, “*Alteration of receipt by erasure or other means is prohibited.*” Alterations of the receipts raises questions regarding the accuracy of the amount recorded and whether the individual receiving the original of the receipt received the same data. When a mistake has been made on the receipt, that receipt should be voided and retained by the school and a new receipt prepared.

Our testing also identified four master receipts with alterations of the amounts totaling \$1,730. Three of these contained alterations of the amount and one contained an erasure. Table 3 provides a listing of the altered receipts.

Table 3: Altered Receipts

Date	Receipt No.	Description	Amount
15 Jul 16	205140	Yearbook Sales – Amount alteration	\$ 325.00
26 Sep 16	205164	Uniform Sales – Account erasures	210.00
Not Dated	207817	6 th Grade Camp – Amount alteration	729.00
9 Dec 16	207823	6 th Grade Camp – Amount alteration	466.00
Total Receipts with Alterations and the Amount			\$1,730.00

Source: Master Receipts

Additionally, our review of the ASB Fund’s receipt records found that during the Fall Festival unofficial receipt books were employed by Bethune to account for ticket sales. The AA did not maintain a control log for all the supplementary receipts, used and unused. As a result, Bethune cannot provide a reasonable assurance that all of the ticket sales receipts were accounted for and deposited into the ASB Fund. Further, the opportunity for the loss or misappropriation of funds significantly increases due to the absence of accountability for all the receipts.

To maintain accountability for the supplementary receipts used by a school, AP 2236 § C.2 states that, “*School financial clerk is responsible for the control of all receipt books used for collecting student body funds.*” Additionally, § D.1 of the same AP requires the:

School financial clerk issues a receipt book to the student or staff member; establishes a record of the receipt books issued, showing the name of the person to whom issued, date issued, and the serial number of the first unused receipt.

The substitute AA failed to comply with the requirements of AP 2236 §§ D.3.a and b to: verify the cash turned over to the amounts written in the cash receipts, list the numbers of the first and last supplementary receipts used, the account to be credited, and the individual turning over the cash. Also, the substitute AA failed to initial the last receipt used in the receipt book and entering the first and last numbers of the supplementary receipts used on the master receipt.

This failure to comply with the AP lead in part to an error in recording master receipt 207807, for \$578, in the books of account. This receipt was credited to the Book Fair account and should have been recorded to the 6th Grade Camp. As a result, the balances of the Book Fair and 6th Grade Camp were overstated and understated, respectively, distorting the financial positions of both accounts.

Inappropriate ASB Fund Cash Disbursements

AP 2225 § C.6.a states, “*Expending Funds. Student body funds shall be expended for purposes that benefit the entire student body.*” Additionally, section C.5.b(1) of the same AP states that:

Student body funds are to be used to finance noncurricular activities beyond those provided by the district.

Note: *In elementary schools, funds may be used to finance activities for noninstructional periods or to enrich programs provided by the district (Emphasis provided).*

Our testing of the cash disbursements during the period 1 July through 31 December identified disbursements that do not comply with the cited AP. The descriptions and supporting documentation for the disbursements stated the expenditures were for classroom and office supplies, and conference fees. The questioned disbursements totaled \$3,717. Table 4 provides additional detail on these disbursements.

Table 4: Inappropriate ASB Disbursements

Date	Check No.	Description	Amount
5 Jul 16	1064	20 Cork Bulletin Boards – Used to display student’s work	\$3,373.84
7 Sep 16	1078	Whistles and Lanyards for staff	43.09
29 Sep 16	1082	Team tickets – Turning Points conference (11 students, staff member, parent)	300.00
Total Inappropriate ASB Fund disbursements			\$3,716.93

Source: ASB disbursements register

These disbursements resulted in the inappropriate use of ASB resources and did not ensure that all students were provided with the opportunities for benefits from the use of the funds.

Absence of Effective Record Retention

Due to the absence of effective record retention practices Bethune was unable to locate (1) a supplementary receipt book containing receipt numbers 1353303 to 1353402, and (2) the supporting documentation for the June 2016 cash receipts and disbursements.

The Secretary of State’s *Local Government Records Management Guidelines* established a retention period of four years for ASB Fund financial records.³ The absence of the documentation results in Bethune being unable to provide a reasonable assurance that the receipts are accounted for and the ASB Fund disbursements are appropriate. Further, it does not enable Bethune to demonstrate

³ State of California, Secretary of State; *Local Government Records Management Guidelines*; Sacramento, CA; 2006; page 12 found at <http://archives.cdn.sos.ca.gov/local-gov-program/pdf/records-management-8.pdf> (Last viewed 2 Mar 17)

that it properly accounted for the receipts and disbursements in the books of account for the ASB Fund.

Recommendations

OIA recommends that the Bethune Principal take the following actions:

1. Coordinate through the Finance Division to obtain training in the operation of the ASB Fund and the responsibility of the principal for financial records and transactions.
2. Mandate that the AA prepare a journal voucher to transfer \$578 from the Book Fair to the 6th Grade Camp accounts.
3. Ensure that all ASB financial records are maintained for four years as required by the Secretary of State.
4. Ensure that the AA only uses the District's supplementary receipt books to record the receipt of cash, and that a control log is maintained for all supplementary receipt books held at Bethune.

Bethune's Response

The Bethune Principal provided a response to our recommendations to OIA on 16 February 2017 (see Appendix I). In the response, the Principal generally concurred with our recommendations and stated that the necessary corrective actions would be taken. The planned corrective actions met the intent of our recommendations.

Objectives and Scope

The objective of this review was to determine whether the Bethune Principal took effective corrective actions to implement the prior report's recommendations. To meet this objective we:

- Requested a written response from Bethune outlining the corrective actions taken by the Principal and other staff members to implement the recommendations;
- Conducted an onsite review of the ASB Fund's financial operations for the period 1 July through 31 December 2016 to determine whether the recommendations were implemented; and
- Interviewed the permanent and substitute AA regarding the changes in Bethune's ASB Fund accounts and procedures.

The tests and procedures that we applied to the data provided to us are not sufficient to constitute a review in accordance with generally accepted government auditing standards. The objective of such a review would be the expression of an opinion on the Bethune ASB Fund. We have 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.

Contributor

Ines G. Abitria, an OIA Auditor, is the principal auditor and contributor to this report.

Copies of the final report will be provided to the Board of Education, Audit and Finance Committee, Superintendent of Public Education, General Counsel, Chief of Staff, and the Area Superintendent, Area 2. A copy of this report will be placed on the District's webpage at <https://www.sandiegounified.org/audit-reports>.

Should you have any questions on this report or our work, please contact Ms. Abitira at iabitira@sandi.net or 619.725.5695. Also, you may contact me at icashmon@sandi.net or 619.725.5696.



John M. Cashmon
Director, Internal Audit

Appendix I: Comments from the Principal, Bethune K-8 Elementary School



Bethune K-8 School
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TO: John M. Cashmon
Director, Office of Internal Audit

FROM: Valerie Jurado, Principal
Bethune K-8 School

DATE: February 15, 2017

SUBJECT: RESPONSE TO JANUARY 12, 2017 ASSOCIATED STUDENT BODY AUDIT

Prior Results

End-of-year Merchandise Inventory

Table 1: Prior Recommendation Status

Recommendation: *Require a complete physical end-of-year inventory of merchandize available for sale and compile results of the inventory.*

Action: *Due to the heavy and overwhelming workload of the AA, it is impossible to complete a thorough inventory of the school uniform. A noon duty personnel assisted the AA in doing the inventory periodically but the inventory is incomplete. The ASB Advisor agreed to have the ASB students do an end-of-year inventory on June 9, 2017 and the years following.*

Additional Results

Cash Receipt Collections

Table 2: Deposit Shortages

Explanation: *According to the attached spreadsheet prepared by the School Clerk 1 (SC1), the "change" which was recorded as "overpayment/refund" was given at a later date after the receipts for the full amount were issued. The total fee for the 6th Grade Camp is \$288. Please read attached 6th Grade Camp information.*

- **SR 1353767 – Student A.R.** On December 12, 2016, the student's balance was \$88. The student handed the SC1 \$100 and he was due a change of \$12. The SC1 issued SR 1353767 in the amount of \$100 then the \$12 change was given to the student at a later date.

A handwritten signature in black ink, appearing to be "VJ" or similar initials.

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- **SR 1353775 – Student E.L.** On December 14, 2016, the student's balance was \$198. The student handed the SC1 \$200 and a change of \$2 was due. The SC1 issued SR 1353775 in the amount of \$200 then the change of \$2 was given to the student at a later date.
- **SR 1353780 – Student M.Y.M.** On December 14, 2016, the student handed the SC1 \$300 to pay the full amount of \$288. A \$12 change was due the student. The SC1 issued SR 1353780 in the amount of \$300 then at a later date the student was given the \$12 change.

Action: In the future the SC1 will issue receipts for the exact amount paid then hand the change to the payee at the same time. If the receipt is issued for the full amount paid and the change is given at a later date, the SC1 will prepare a requisition for refund then issue a refund check.

Table 3: Altered Receipts

Explanation – please read below:

- **EGRY Receipt 205140** dated July 15, 2016 was for the total amount of \$325. The AA transposed the amount and wrote \$235, crossed off the amount then wrote \$325 and initialed. The receipt should have been voided and a new receipt issued. In the future, the AA will void an incorrect receipt and issue a clean receipt without any erasures.
- **EGRY Receipt 205164** dated September 26, 2016 in the amount of \$210. The AA incorrectly wrote Bethune instead of Uniform and crossed off the word Bethune and put her initial next to the erasure. In the future, the AA will void any receipts with erasures and issue clean unaltered receipts.
- **EGRY Receipt 207817.** The substitute AA did not put the date on the master receipt but the SC1 corrected the pink copy and wrote December 9, 2016. The total amount should have been \$729 but the substitute AA wrote \$441 and made a correction. In the future, all substitute AAs who comes to Bethune will be notified to void receipts with erasures then issue unaltered receipts. The permanent AA will put a note on top of all EGRY receipts stating, "All EGRY receipts issued must be unaltered. Any receipts with erasures must be voided."
- **EGRY Receipt 207823.** The substitute AA incorrectly wrote the total amount on the receipt then made a correction. In the future, all substitute AAs who comes to Bethune will be notified to void receipts with erasures then issue unaltered receipts. The permanent AA will put a note on top of all EGRY receipts with the following words, "All EGRY receipts issued must be unaltered. Any receipts with erasures must be voided."

Action: Beginning today, the permanent AA and future substitute AAs will void receipts with erasures and issue clean unaltered EGRY receipts. The permanent AA will put the following statement on top of all EGRY receipts, "All EGRY receipts issued must be unaltered. Any receipts with erasures must be voided."

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- **Fall Festival Receipts.** The Fall Festival Committee including the ASB advisor originally decided to use a tally sheet for tickets sales but the AA advised them to use receipts. The Fall Festival Committee and ASB Advisor decided to use alternative receipt books.

Action: The Fall Festival Committee has been notified that official receipts must be issued for all Fall Festival ticket sales. In the next Fall Festival 2017 and other future Fall Festivals, the Fall Festival Committee will make sure to use official supplementary receipts for all Fall Festival ticket sales. The AA who also serves as financial clerk will establish a log of receipt books showing the name of person to whom the supplementary receipt is issued, date issued and the serial number of the first unused receipt. Beginning today, the AA created a control log of used and unused supplementary receipts. If there is any future substitute AAs, the principal will request the assistance of Financial Accounting for accurate financial record keeping.

- **Fall Festival Account against Book Fair Account.** Failure to comply with AP led in part to an error in recording master receipt 207807 for \$578 in the books of account.

Action Taken: On January 30, 2017, the AA created Journal Entry 154378 in the amount of \$180 to correct the wrong entry by the substitute AA. This Journal Entry was to debit Book Fair account and credit 6th Grade Camp account. **Explanation:** On October 28, 2016, two checks in the amount of \$90 each was supposed to be deposited into the 6th Grade Camp account but it was deposited into the Book Fair account. Reference: EGRY Receipt #207807.

Further Action Taken: Per this audit finding, there is a total of \$578 that should have been deposited into the 6th Grade Camp. Reference: EGRY Receipt #207807. To correct the error made by the substitute AA, the permanent AA created Journal Entry 154379 on February 15, 2017 in the amount of \$398 which is the difference of the total amount per this audit finding (see previous paragraph), debit Book Fair account and credit 6th Grade Camp account.

Inappropriate ASB Fund Cash Disbursements

Table 4: Inappropriate ASB Disbursements.

- **Check # 1064** – Cork Bulletin Boards were purchased by the ASB to display students' artwork.

Action Taken: To rectify this error, the ASB advisor met with the ASB on February 15, 2017 to discuss and approve the use of corkboards for school-wide campaigns and initiatives. The minutes of meeting is attached to this response.

- **Check # 1078:** The whistles and lanyards were purchased for the Safety Patrol but per record the principal gave some of the whistles to the teachers.

Action: Beginning today, the principal will make sure not to give any of the items that belong to the student body to the staff. A separate purchase using school funds will be created to purchase supplies for the staff.

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- **Check # 1082:** A requisition was created and the ASB approved the purchase of Team tickets for Turning Points Conference for students, staff and parents.

Action: Beginning today, Bethune will be extra conscientious making sure that all expenses using the ASB funds should only benefit the student body. Bethune will not use any ASB funds for activities that involve parents and staff.

Absence of Effective Record Retention

Explanation: The current AA was on leave for 3 months, from mid- October 2016 to mid-January 2017. Prior to that leave, the AA kept all supplementary and master receipts in the locked cabinet. The filing cabinet has been open since then. During the audit, it was discovered that one receipt book cannot be located.

Action: Bethune will find a locked filing cabinet to keep all supplementary receipts. Beginning today, Bethune will ensure that the District supplementary receipt books are used to record the receipt of cash and checks, and that a control log is maintained for all supplementary receipt books held at Bethune.

Further Actions to be taken: The principal will coordinate in obtaining certain trainings available in the operation of ASB Fund. Bethune will ensure that 4 years of financial records are maintained.

-end-

