



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

April, 2017

HAWTHORNE ELEMENTARY SCHOOL

Follow-up of the Review on
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.

26 April 2017

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The Office of Internal Audit (OIA) conducted a follow-up review of our June 2015 report on the financial operations of the Hawthorne Elementary School (Hawthorne). The original report was included the OIA's fiscal year 2015 (FY-15) annual work plan. As part of the original review we examined the Associated Student Body (ASB) Fund, Hawthorne's operation of the San Diego Unified School District's (SDUSD or District) purchase card (P-Card) program, and the reliability for the recording of time and labor (T&L) entries into the SDUSD T&L system.

The June 2015 report contained 13 findings and 17 recommendations. Two of these recommendations were jointly addressed to the Chief Human Resources Officer (CHRO) and the Area Superintendent – Area 4 (AS-4). We addressed a recommendation to the Chief Financial Officer (CFO). We addressed the balance of 13 recommendations to the Principal.

For the period of the original audit 1 July 2012 through 12 September 2014, the school was managed by a principal that requested and received an extended medical leave. An interim principal was appointed for the periods 22 January through 30 June 2013 and 21 August 2014 through 31 January 2015. The Superintendent appointed a permanent principal on 12 January 2015. This individual was subsequently transferred to another District position on 28 July 2016 and the current principal was appointed to this position on 17 August 2016. A similar high level of turnover occurred with the Elementary School Assistants (ESA) assigned to Hawthorne

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

Background

Hawthorne is a Kindergarten through 6th Grade elementary school operating on the District's traditional calendar. Currently, Hawthorne operates as a kindergarten through 5th Grade elementary school.

OIA performed this audit at the request of the AS-4. This request included reviews of the Associated Student Body (ASB) Fund, the District's purchase card (P-Card) program, and the time and labor (T&L) costs incurred by Hawthorne and reported through the District's T&L system.

The ASB Fund is operated solely for the benefit of Hawthorne's students. The ASB Fund is to be used for two purposes only (1) the promotion of the general welfare, education and morale of the students; and (2) finance the approved extracurricular activities of the school. These funds may be used to finance the noncurricular activities beyond any funding provided by SDUSD. Further elementary schools may use the ASB Fund to finance activities for noninstructional periods or enrichment of the programs provided by SDUSD.¹

The ASB Fund is operated and accounted for in a similar manner 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 Hawthorne's current students.² The principal is permitted to delegate authority to perform certain ASB operations to other Hawthorne staff, e.g. at the elementary school level, the principal's advisory committee and the processing of ASB Fund cash receipts and disbursements.³ While delegation is possible, the authority and responsibility for the operation of the ASB Fund remains solely with the principal.

SDUSD operates a purchase card (P-Card) program to provide schools and central office organizations with that ability to purchase small amounts of goods, generally not more than \$500 in a single transaction, without the intervention of the District's Strategic Sourcing and Contracts Department. The use of the P-Card reduces the cost for processing small procurements and decreases the lead times to obtain the goods.

¹ AP 2225, *Administration of Student Body Funds*; 16 December 2002; §§ C.5.a and b.

² AP 2225, §C.4.b.

³ AP 2225, § C.4.d.

The operation of the P-Card is controlled by *Purchase Card Policy and Procedures Manual* (Manual).⁴ The *Manual* prohibits individuals, other than the P-Cardholder, from having access to or using the P-Card to make purchases. Further, SDUSD and not the P-Cardholder is responsible for the payment of any balance on the monthly statements provided by the card's financial institution. The P-Card's approving official (AO), generally the P-Cardholder's immediate supervisor is responsible for the review and approval of all valid P-Card transactions shown on the monthly statement. The AO is responsible for the retention of the documentation supporting the transactions. The Finance Division is responsible for establishing the single transaction, daily and monthly transaction limits for each of the District's P-Cards.

The District's T&L system for the majority of the employees at Hawthorne is a negative payroll system. A negative payroll system assumes that the employee is working at their assigned location and the hours assigned for each day they are paid. When this is not the case, Hawthorne is responsible for reporting their absence and the hours away from their normal assignment using the T&L system. Additionally, Hawthorne is responsible for reporting, through the T&L system, any additional compensable hours worked by an employee. In the case of compensable time and absences, timecards are generated supporting the date and number of hours absent or worked for additional compensation. The timecards are approved by the Hawthorne Principal as part of the payroll reporting process.

Prior Report Results

The June 2015 report stated that the financial operations reviewed by OIA were adversely impacted by Hawthorne's failure to comply with the District's policies and procedures. Additionally, during the period covered by the audit we found that the internal controls were ineffective.

The original report contained 13 findings and seventeen recommendations. These recommendations were addressed to the CFO, CHRO, the AS-4 and Hawthorne's Principal.

⁴ San Diego Unified School District, Finance Division; *Purchase Card Policy and Procedures Manual*; September 2011 was the governing document during the audit period.

Results in Brief

The addressees of our recommendations in the original report advised us of the status of recommendations. We determined that:

- Two recommendations were overtaken by events and the recommendations have been closed; and
- Fifteen recommendations have been implemented by the addressee and are considered as closed.

OIA received responses to our follow-up requests from the Hawthorne Principal.

Appendix I provides a summary of the original report's recommendations, the original response provided by the recommendation's addressee, and a summary of the current status of each recommendation reported to us.

Based on the information provided to us, we have determined that recommendations in this report should be closed.

Objectives and Scope

The objective of this review was to determine whether the individuals addressed in the recommendation had taken action to implement the necessary corrective actions outlined in the original report. To meet this objective:

- Requested a follow-up response from the Hawthorne Principal to determine the corrective actions taken since the release of the original report;
- Inquired of the Payroll/Benefits Department of the status of the corrective actions on the timekeeper discrepancies found in the original audit; and
- Reviewed the prior responses and available supporting documentation to determine the extent of the corrective actions.

OIA provided copies of this report to the Board of Education, Audit and Finance Committee, Superintendent of Public Education, General Counsel, and the Chief of Staff.

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



John M. Cashmon
Director, Internal Audit

Appendix I: Recommendation Status: Hawthorne Elementary School – Follow-up

Rec	Original Recommendation	Response Included in the Original Report	Estimated Completion Date	Actions Taken on the Recommendation
1	We recommend that the CHRO and the AS-4 determine the appropriate corrective action to take, if any, concerning the former principal’s personal liability for the improper use of the ASB Fund assets, the loss of non-District Organization receipts, and the absence of compliance with the relevant District policies and APs.	No response was received from the CHRO or AS-4.	None Provided.	<u>Recommended corrective action overtaken by events.</u>
2	We recommend that the CHRO and the AS-4 confer to determine the appropriate administrative action, if any, for the ESA for the violation of the APs for processing of proceeds from the ASB’s fundraiser, the missing and destroyed documents, and the loss/theft of the ASB Fund assets.	No response was received from the CHRO or the AS-4	None Provided.	<u>Recommended corrective action overtaken by events.</u>
We recommend that the Hawthorne Principal take the following actions:				
3	Require that all funds received for ASB activities are deposited within one business day into the designated ASB Fund checking account.	It is the understanding of the site principal and the office staff, specifically my Elementary School Assistant (ESA) that all monies collected via ASB activities are deposited to the ASB Fund checking account on the next business day following any such event. AP 2445 was shared with the ESA during a one on one meeting conducted on April 30, 2015	None Provided	The current ESA’s practice is depositing of funds within 24 hours of their receipt.
4	Separate the duties for the receipt, depositing, recording and reconciliation of the ASB Fund cash in order to avoid one individual from gaining complete control of the process for processing and accounting for ASB cash.	In a small elementary school with minimal office staff overseeing ASB Funds, it is not possible to break up the duties as described. What has been put in place is a cross referencing system where the site principal will conduct monthly checks of the accounting for the funds to insure all processes are followed appropriately.	None Provided.	The system described in the original corrective action plan remains in place.

Rec.	Original Recommendation	Response Included in the Original Report	Estimated Completion Date	Actions Taken on the Recommendation
5	Require that all receipts be maintained to support any ASB Fund cash receipts.	In the one on one meeting held on April 30, 2015 a file was created to secure all ASB fund receipts. This file is maintained in the school office.	None provided.	The ESA maintains a binder for all receipts. This binder is reviewed by the Principal on a monthly basis.
OIA recommends that the Hawthorne Principal take the following actions:				
6	Retain all requests for fundraising activities, regardless of source, the approvals, and documents supporting that all proceeds from the fundraisers have been accounted for. The documents supporting the fundraising activities should be held within the ASB Fund financial records.	All staff were notified at a staff meeting on April 13, 2015 that any fundraising activities must meet the district guidelines, appropriate forms completed and provided to the principal for approval prior to any fundraiser. A file for the documentation has been created and is found within the school office.	None provided.	At this point in time, all fundraising is conducted through the PTA or foundations. All of the fundraisers have the proper documentation to support them. The school maintains a file of the fundraising requests and documentation.
7	Mandate that the ESA comply with the process and requirements in the APs for processing cash receipts and disbursements.	At both the April 30, 2015 one on one with the ESA and the April 13, 2015 staff meeting with school staff the Administrative Procedures (2225, 2235, 2265, and 9325) were shared. The importance of following the procedures was emphasized. Progressive disciplinary action, including written documentation if necessary, was mentioned as a possible action for those who refuse to follow the procedures.	None provided.	The current ESA has copied of all the required administrative procedures and this is no longer an issue.
8	Mandate that the Hawthorne ESA and other staff involved with non-District organization fundraisers fully comply with the requirements of AP 9325 including maintaining separate and complete accountability for the receipts and disbursements.			All of the procedures outlined in the administrative procedures are followed and this finding is no longer an issue.
9	The CFO should initiate collection actions for the individuals that received overpayments outlined in Table 10.	The Chief Financial Officer concurs with the intent of the recommendation. The Payroll Department will take appropriate action based on the facts and circumstances surrounding the time and labor recordkeeping. The payroll overpayment will be processed upon receipt of the time and labor correction notice from the school site.	None provided.	The school, under the former principal provided the necessary documentation and corrective action has been taken.

Rec.	Original Recommendation	Response Included in the Original Report	Estimated Completion Date	Actions Taken on the Recommendation
OIA recommends that the Hawthorne Principal take the following actions:				
10	Require the timekeeper to complete <i>Time Correction Notices</i> for all absences and leaves that were not recorded in the payroll system.	At the one on one meeting with the ESA held on April 30, 2015 the importance of accurate timekeeping was discussed. Specific details as outlined in the audit were discussed, including length of maintaining records, location to house such records, gaining administrator approval of time cards before entering the data into the T&L system, and appropriate compliance with the Finance Department for completion of consultation forms. Progressive discipline measures were also discussed to insure compliance of such actions in the future.	None provided	The issue of the time correction notices had been addressed by the immediate former principal. The current ESA (timekeeper) complies with the T&L procedures. All records are up-to-date and retained in a binder in the school's office.
11	Mandate that all staff fully and accurately complete the timecards to support the hours worked and any hours taken as leave or PTO (paid time off).	At the staff meeting held on April 13, 2015 proper completion of time cards was shared via a model. This model has also been shared via site bulletin.	None provided.	All the staff have access to timecards and are reminded to complete them in a timely manner. The ESA (timekeeper) uses a binder to store all of the forms. At the end of each week an audit we conduct an audit of the forms submitted by the staff.
12	Require that the timekeeper ensure that all timecards, leave and PTO applications are complete and authorized prior to entry into the T&L system.	At the meeting with the ESA the importance of accurate timekeeping was discussed. Specific details as outlined in the audit were discussed, including length of maintaining records, location to house such records, gaining administrator approval of time cards before entering the data into the T&L system, and appropriate compliance with the Finance Department for completion of consultation forms. Progressive	None provided.	The ESA (timekeeper) is aware of and complies with the T&L procedures.

Rec.	Original Recommendation	Response Included in the Original Report	Estimated Completion Date	Actions Taken on the Recommendation
12 (cont.)		discipline measures were also discussed to insure compliance of such actions in the future.		
13	As part of the mandated review of the <i>Audit Paid to Reported Time</i> report verify the accuracy of the data by sampling a selection of timecards and leave applications used to support the data entries.	The site principal has and will continue to verify the accuracy of the data by sampling various time cards and leave applications used to support data entries. This will be an ongoing sampling every two months.	None provided.	The Principal completes a review of a sample of timecards and leave applications every two weeks to confirm the accuracy of the document and data submitted to the ESA.
14	Establish school based policies, procedures, and practices to ensure that all payroll related records, documentation, and reports are retained and safeguarded for the four year period required by AP 2600 § D.1.	At the one on one meeting with the ESA held on April 30, 2015 the importance of accurate timekeeping was discussed. Specific details as outlined in the audit were discussed, including length of maintaining records, location to house such records, gaining administrator approval of time cards before entering the data into the T&L system, and appropriate compliance with the Finance Department for completion of consultation forms. Progressive discipline measures were also discussed to insure compliance of such actions in the future.	None provided.	The ESA (timekeeper) is aware of the policies and procedures for time and labor reporting and complies with them.
15	Require that the P-Cardholder and AO comply with the <i>Manual's</i> requirements that all transactions be supported with original documentation. Further, steps should be taken to safeguard this documentation for a minimum five year retention period.	At the one on one meeting held with the ESA on April 30, 2015 Procurement Card policies and procedures were thoroughly reviewed. All future actions involving the Procurement card will follow district policy and all records will be maintained for a minimum of five years.	None provided.	The current ESA is aware of the policies and procedures for the use and control of the P-Card. She complies with those policies and procedures.
16	Develop procedures to ensure that the P-Cardholder and AO comply with the Sales/Use Tax reporting requirements outlined in the <i>Manual</i> , and all P-Card transactions be verified to ensure that the Sales/Use tax has either been collected or reported.			

Rec.	Original Recommendation	Response Included in the Original Report	Estimated Completion Date	Actions Taken on the Recommendation
17	Require that the ESA comply with the Finance Division’s policies to complete consultant forms for all independent contractors or service providers to support the disbursements.	At the one on one meeting with the ESA held on April 30, 2015 the importance of accurate timekeeping was discussed. Specific details as outlined in the audit were discussed, including length of maintaining records, location to house such records, gaining administrator approval of time cards before entering the data into the T&L system, and appropriate compliance with the Finance Department for completion of consultation forms. Progressive discipline measures were also discussed to insure compliance of such actions in the future.	None provided.	<p>The current ESA is aware of and complies with the administrative procedures and practices for the use of consultants.</p> <p>At the current time, Hawthorne is not using any consultants.</p>

Source: OIA analysis