



TO: Shirley Wilson, Area 1 Superintendent
FROM: Stephen Carr, Director, Office of Internal Audit *SC*
DATE: March 26, 2014
RE: Lincoln High School Class of 2013 Audit

Our office conducted an audit of the Lincoln High School Class of 2013 for the period July 1, 2012 to June 30, 2013. The audit report contains information regarding the audit findings and recommendations. Enclosed is a copy of the audit report and the response.

The site administrator was responsive to all of our recommendations and corrective actions had been taken.

If you have any questions concerning the information in this report, please call me at 725-5696.

c: Members, Board of Education
C. Marten
S. Monreal
A. Donovan

email: BOE, Audit Committee
C. Marten
S. Monreal
M. Hudson



LINCOLN HIGH SCHOOL

Class of 2013 Audit Report

Introduction

The Office of Internal Audit performed a limited audit of the Class of 2013 fundraising activities at Lincoln High School for the period July 1, 2012 through June 30, 2013 at the request of the principal.

A principal of Lincoln High requested a meeting with Internal Audit on October 30, 2013 to present alleged violations of district administrative procedures by the advisor for the Senior Class of 2013 and the Yearbook. On October 22, 2013, the advisor was assigned to another school.

The principal produced a memorandum containing a summary of a meeting held at Lincoln High School to discuss an outstanding debt incurred by the Class of 2013 on September 19, 2013. Present were a teacher who was the Class of 2013 advisor, lead principal, principal, ASB advisor, financial clerk, and SDEA representative for the advisor. However, the content of the memo, containing an affirmation signature line for the advisor, was disputed by the advisor and SDEA representative. From their perspective – since not accurately presenting the dialogue, the advisor refused signature.

During the meeting, the principal presented that the advisor:

1. Held unapproved fundraising offsite, having sales of goods with student participation.
2. Deposited ASB monies into his personal account from the unapproved offsite fundraising and paid from this account to a vendor, \$750.00.
3. Did not write receipts for goods sold.
4. Had a theft of goods that he did not report to SDSDPD or SDPD.
5. Had an outstanding debt for contracting with district transportation for Grad Night and Senior Picnic events processed through the ASB Class of 2013 account when lacking adequate funds. The advisor paid 299.98 from personal funds, for the adjusted cost of the bus.

Audit Scope

Based on the principal's reporting and request for a review, we performed a limited audit of the Class of 2013 for the school year 2012-2013 at Lincoln High School. The purpose was to determine whether district policy and procedures were followed in the performance of the ASB activities under the guidance of the advisor for the Class of 2013.

Objectives

- To audit limited financial records of the Class of 2013 for the school year 2012-2013.
- To ensure adequate internal controls are in force.
- To determine if accounts and activities are in accordance with district procedures.
- To determine that expenditures have adequate supporting documentation.
- To determine that record keeping is sufficient to assure efficient and accurate accounting.

Audit Findings Summary

1. Held unapproved fundraising offsite for sales of goods with student participation.
 - The audit found no proof that a fundraising activity was held offsite.
 - The fundraising request form submitted by the Class of 2013 lacks a description for the fundraiser(s).
 - A revenue potential was not prepared for the shirts and sweatshirts fundraising activity.
2. Deposited ASB monies into his personal account and paid from this account to a vendor.
 - No support for the summer deposit of ASB monies into his personal account.
3. Did not write receipts for goods sold.
 - A supplementary receipt book was not issued to the Class of 2013 to account for the shirts and sweatshirts sold.
4. Had a theft of goods that he did not report to SDSDPD or SDPD.
 - Shirts and sweatshirts were stolen from inventory. Email supports that site administration was notified. District Procedure 5025 states that Administration on notification (not the advisor) is to notify the School Police but School Police was not notified of the theft.
5. Class of 2013 had an outstanding debt for contracting with district transportation for Grad Night and Senior Picnic events processed through the ASB Class of 2013 account when lacking adequate funds.
 - The advisor also paid \$299.98 for the adjusted cost of the bus to settle the outstanding balance with the transportation.
6. Grad night, which should not have been a district function, used the Class of 2013's ASB account and involved site administration thus becoming, a school sponsored field trip rather than an event independent of Lincoln High School.

Conclusion

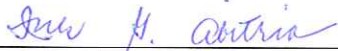
The results of tests performed on the Class of 2013 fundraising activities at Lincoln High School disclosed several exceptions.

The audit determined that these exceptions showed a failure to comply to district policy and procedure designed to protect the interests of the students and integrity of the ASB.

The lack of internal controls over the Class of 2013 fundraising activities resulted in decreased accountability and an increased risk of loss of funds that could occur and may not be detected since there was no accounting for income and inventory, or recording of all sales.

The Office of Internal Audit finds no basis for the administration having the class advisor pay from personal funds to resolve the debts for the Class of 2013 and finds that the advisor is to be reimbursed the \$750.00 and \$299.98. The shortage of the Class of 2013 is not the responsibility of ASB, and if not recoverable from the Class of 2013, is the liability of Lincoln High School.

We require that administration address with all staff the proper procedures and the requirement



Ines G. Abitria
Operations Auditor



W. Stephen Carr
Director, Office of Internal Audit

Audit Findings and Recommendation

1. Held unapproved fundraising offsite for sales of goods with student participation,

- The audit found no proof that a fundraising activity was held offsite.
- The fundraising request form submitted by the Class of 2013 lacks a description for the fundraiser(s).

The Class of 2013 submitted a fundraising request dated August 20, 2012 stating generally, “fundraisers.” This request did not describe any specific event. A description is required that details the event being held to enable verifying that the request complies with board policy and if it is allowable or prohibited. Administration may also have concerns about the number and type of fundraising event(s) and whether an event interferes with the normal conduct of the school.

The fundraising request form was approved by the principal with written in “the absence of student’s attendance.” The principal stated the fundraiser was only approved with the intent to sell water during pre-enrollment. There was no support on the approved form corroborating this statement, showing that the approval form was for or limited to a specific event. The advisor, on completing the fundraising request form stated that he believed he had satisfied his responsibility for approval of fundraising.

- A revenue potential was not prepared for the shirts and sweatshirts fundraising activity.

Fundraising activity was conducted without satisfying the requirement of pre-determining whether the event will secure revenues in excess of expenditures by preparing a revenue potential.

At the conclusion of the fundraiser, the revenue potential analysis must be completed showing the projected revenue and expenses versus the actual revenue and expenses of the fundraising event. Any variances between actual and projected revenues should be explained in writing by the club/class advisor. A copy of the revenue potential analysis with explanation of the variances must be on file in the financial office for audit purposes.

Recommendation

Administration has the responsibility for establishing practices that satisfy the requirements for conducting ASB according to district requirements. The principal is to institute procedures to assure compliance to district procedures, instruct staff on the proper completion of request forms and approve forms for singular events. Also, Revenue Potential Forms are inclusive of this process and needed before administration approves requests for fundraisers.

2. **Deposited ASB monies into his personal account and paid from this account to a vendor.**

- **No support for the summer deposit of ASB monies into his personal account.**

An aspect of the meeting addressed the advisor paying \$750 from his personal account to the vendor. In part presented by site administration, was the advisor holding a fundraiser selling goods during the summer that involved students. The receipts from this fundraising then being deposited into his personal account, and from that account, the advisor paid the vendor where the Class of 2013 had an outstanding debt. Administration's meeting summation identified two students as having participated in the event. Administration presented the summation to the advisor requesting his signature.

The advisor and his site union representative presented that management misunderstood and that he was stating that he anticipated having the event to recoup some of the shortage in the Class of 2013's account by holding a fundraiser. Since this did not happen, the advisor paid from his personal account to reduce the debt owed a vendor for supplying the goods being sold. Based on the school's and the advisor's relationship with the vendor, that in exchange for this payment, the vendor would forgive the remaining balance owed.

The memorandum identified two students alleged as having participated in the summer shirt and sweatshirt fundraiser sale and a staff member present at the meeting. This office interviewed them and they all stated that there was neither fundraising conducted nor their participation during the summer. They reported that this was presented as a plan to cover any negative balance in the Class of 2013 account. According to the advisor, there was no money deposited in his personal account. He paid the vendor \$750.00 for the shirts and sweatshirts out of his own personal account because he had already promised the vendor some payment.

Recommendation

Owing to disagreement on the dialogue at the meeting, and statements from those alleged to have participated in the summer sale as the event not having happened, our office finds no basis for the advisor paying for the shortage from personal funds. This is a liability of Lincoln High School and the school is to reimburse the advisor.

3. **Did not write receipts for goods sold.**

- **A supplementary receipt book was not issued to the Class of 2013 to account for the shirts and sweatshirts sold.**

The Class of 2013 sold shirts and sweatshirts without issuing supplementary receipts. As a result, the risk of misappropriation of student body funds increased and some funds may not be fully accounted.

- **District Administrative Procedure No. 2236 D.1. states that School financial clerk issues receipt book to student or staff member; establishes a record of receipt**

books issued, showing name of person to whom issued, date issued, and serial number of first unused receipt.

- **District Administrative Procedure No. 2236 D.2. states that “Student or staff member:**
 - a. **Collects money and issues a signed receipt showing payer’s name, purpose for which collection was made, and amount of money collected.**
 - b. **Leaves duplicate copy of issued receipts in the receipt book; leaves both copies of voided receipts in book.**
 - c. **Gives money collected and receipt book to financial clerk at end of collection”.**

Safeguarding of assets is a basic and essential internal control. The issuance of receipts and daily bank deposits are required ways to safeguard assets (cash). Upon collection of funds a receipt should be written and issued to the person from whom funds were collected.

To lessen the risk of loss or misappropriation of funds, receipts or supplementary receipts are to be written upon collection of funds.

Recommendation

The principal is to institute procedures to assure compliance to district procedures and introduce a process that monitors compliance to district procedure.

4. Had a theft of goods that he did not report to SDSDPD or SDPD.

- **Shirts and sweatshirts were stolen from inventory. Email supports that site administration was notified. District Procedure 5025 states that Administration on notification (not the advisor) is to notify the School Police but School Police was not notified of the theft.**

During the meeting with Internal Audit held on October 30, 2013, the principal stated that the shirts and sweatshirts were stolen but that the advisor had not notified the police and no police report was written. The advisor had custody of the items when stolen.

According to the advisor, the inventory was stored in a room (501) between computer labs and multiple staff had key access to these rooms. On March 26, 2013, the door leading into the storage room from 501 was found unlocked and a theft of goods noted. The advisor sent an email to all employees, including administration, of Lincoln informing them of the theft of the Class of 2013 shirts and sweatshirts.

- **District Administrative Procedure No. 5025 C.4.c. states that “Every case of property damage or loss shall be reported immediately upon occurrence or discovery on “Property Damage or Loss Report” form.”**
- **District Administrative Procedure No. 5025 “D. Implementation. 1. Reporting theft, burglary, Property Damage. a. Site administrator or designee. (1) Immediately upon discovery, notifies the School Police Services Department of**

theft of any district equipment, *serious cases* of theft of other items, burglary, property loss, or other loss or damage.”

Inventories are to be safeguarded to protect district assets. If a theft occurs, the site administrator or designee on becoming aware of the theft needs to notify the School Police immediately. The administrator is to complete and sign a “Property Damage or Loss Report.” Since the advisor notified administration, per Administrative Procedure, site administration had the responsibility to contact School Police Services.

The Class of 2013 did not have a record of the inventory so losses could not be determined.

- **District Administrative Procedure No.2360 Inventory of Student Body Merchandise D. IMPLEMENTATION. 1. Student or Sponsor a. Takes annual inventory, showing quantity, unit invoice cost (including tax and shipping), extended cost, and total cost. Note: Use invoice cost (including tax and shipping), not retail price.**

Recommendation

The principal is to institute procedures to assure compliance to district procedures No. 5025 and No. 2360, and introduce a process that monitors compliance to district procedure. We require that administration address with all staff the proper procedures and the requirement to comply with accounting and reporting requirements.

5. **Had an outstanding debt for contracting with district transportation for Grad Night and Senior Picnic events processed through the ASB Class of 2012 account when lacking adequate funds.**
 - **The advisor also paid \$299.98 for the adjusted cost of the bus to settle the outstanding balance with the transportation.**

The Class of 2013 contracted with district transportation for a school bus for their senior class picnic. The school received an invoice from transportation that there was an unpaid balance in the amount of \$1,193.38. Per the advisor, there was an error on the price of the busses based on the quote provided by transportation when the busses were ordered. The advisor contacted transportation to adjust the cost. The cost of the bus was adjusted but left a \$299.98 balance. At the September 19, 2013 meeting, the advisor indicated that he would pay the adjusted balance out of his personal account. The Class of 2013 then had a zero balance in their trust account.

A letter dated November 8, 2013 was mailed by Lincoln High School to the advisor to collect the outstanding balance of \$299.98.

Recommendation

The Office of Internal Audit finds no basis for the advisor paying for the adjusted balance of the busses from personal funds. This is a liability of Lincoln High School and the school is to reimburse the advisor. The trips processed through ASB and become a liability of the

trust account. Administration participated in the Grad Night Activities, determining who was authorized to attend. Grad Night should not have processed in ASB and maintained separately from district involvement. Since Grad Night processed through ASB with administrative involvement - the function, fundraising and approvals became a site activity and responsibility.

6. **Grad night, which should not have been a district function, used the Class of 2013's ASB account and involved site administration thus becoming, a school sponsored field trip rather than an event independent of Lincoln High School.**

The Class of 2013 went to Six Flags Magic Mountain for their grad night and the ASB account was used to hold the funds in violation of District Administrative Procedure 4587.

- **District Administrative Procedure No. 4587 C.17. states "Nonschool-Sponsored Trips. Trips that are funded by individuals, students and/or private sources and are not affiliated with the school site or the district are nonschool-sponsored trips. The district accepts no responsibility or liability for such trips, and the district name may not be used to promote the trip.**
 - a. **Funding. Except for PTA groups, no nonschool-sponsored group may collect money on the school site or use the ASB account as a trust account or a holding account. Checks for nonschool-sponsored field trips shall not be made payable to the school.**

The ASB account is not to be used as a holding account for nonschool sponsored field trip such as grad night.

Recommendation

The principal is to institute procedures to assure compliance to district procedure No. 4587. We require that future collections for nonschool sponsored events are not to be deposited in the ASB account.



MEMORANDUM

TO: Stephen Carr, Director, Office of Internal Audit
FROM: Shirley Wilson, Area 1 Superintendent *SW*
DATE: March 24, 2014
RE: **LINCOLN HIGH SCHOOL CLASS OF 2013 AUDIT**

I have reviewed the Class of 2013 Audit Report for fundraising activities at Lincoln High School for the period of July 1, 2012 through June 30, 2013. It is noted that the audit was requested by the Lincoln High School Lead Principal.

Upon review of the audit, I discussed with Lincoln High School Lead Principal the contents of the fundraising Audit Report. It was discussed the importance of knowing SDUSD fundraising policies procedures and to ensure full compliance.

All recommendations of the Audit Report have been acted upon. Additionally, she has met with staff to ensure their knowledge of the procedures for fundraising and has developed a monitoring process to ensure full compliance.

SW:cm



LINCOLN HIGH SCHOOL

Class of 2013 Audit Report -

Response

1. Held unapproved fund raising offsite for sales of goods with student participation.

Since there is no evidence that a fundraiser was conducted off campus without prior approval, the leadership at Lincoln will ensure that all fundraisers are preapproved, and that the forms necessary for the activity are duly completed in accordance with district guidelines and procedures.

- **A revenue potential was not prepared for the shirts and sweatshirts fundraising activity**

Administration understands we have the responsibility for establishing practices that satisfy the requirements for conducting ASB according to district requirements. The new ASB advisor attended ASB training on October 17, 2013

Administration has also ensured that the new ASB advisor has copies of the Potential Revenue Forms, knows what information is required on the form, and will ensure that a form per event is completed. We will also ensure that the forms are completed before the fundraiser gets underway. The forms will be reviewed, prior to approval.

2. Deposited ASB monies into his personal account and paid from this account to a vendor.

No support for the summer deposit of ASB monies into his personal account.

Lincoln High school has issued a reimbursement check (Check number 5888 for the sum of \$1,049.98) to the advisor as recommended by the audit.

3. Did not write receipts for goods sold.

Henceforth, receipt books will be issued to club advisors, student and staff as needed, establish a record of receipt books issued, showing name of person to whom it was issued, date issued and serial number of first unused receipt. The administration at Lincoln will conduct periodic checks of records of receipt books issued in each academic year.

4. Had a theft of goods that he did not report to SDSDPD or SDPD.

The principal in conjunction with the school police officer assigned to the site will conduct staff training to address compliance to district procedures No 5025 and No. 2360.

5. Had an outstanding debt for contracting with district transportation for Grad Night and Senior Picnic events processed through the ASB Class of 2012 account when lacking adequate funds.

Lincoln High School has since issued a reimbursement check (check number 5888 for the sum of \$ 1,049.98) to the advisor. Lincoln High will ensure that non-school sponsored events are not to be deposited in the ASB accounts.

6. Gradnite which should not have been a district function, used the class of 2013's ASB account and involved site administration thus becoming a school sponsored fieldtrip rather than an event independent of Lincoln High School.

The site principal has instituted procedures to assure compliance to district procedure No.4587. The financial clerk and ASB have been informed and have also attended training depicting the scope of the responsibilities pertaining to their role.

Respectfully Submitted,



Esther Omogbehin
Lead Principal
Lincoln High School