



TO: Lamont Jackson, Area 2 Superintendent
FROM: Stephen Carr, Director, Office of Internal Audit *WSC*
DATE: October 8, 2013
RE: Bethune K-8 School – Associated Student Body Audit Report

Our office conducted an audit of the Associated Student Body financial operation at Bethune K-8 School for the period July 1, 2012 through May 31, 2013. The audit report contains information regarding the audit findings and recommendations. Enclosed are copies of the audit report and the response.

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

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: Members, Audit Committee
C. Marten
S. Monreal
M. Hudson



Audit Report
Bethune K-8 School
Associated Student Body (ASB)
October 8, 2013

Introduction

We performed a regular audit of the ASB financial activities at Bethune K-8 School for the period July 1, 2012 through May 31, 2013.

Student body funds consist of monies collected, contributed, and earned by students through activities such as contests, plays, and sales, including monies given to a particular school for use of students.

The superintendent shall have responsibility and authority to implement all policies and regulations pertaining to the supervision and administration of student body activity funds in accordance with established policies and regulations of the Board of Education. The principal, as trustee is directly responsible of the overall management and administration of the school including the conduct of student financial activities. The K-8 school assistant under the principal's direction shall be responsible for all student activity funds, shall maintain control records, and shall follow prescribed accounting procedures.

The principal, who was in charge of the ASB operations from July 2012 to March 2013, had resigned on 4/1/2013. The current principal assumed the supervision of the ASB operations on 4/8/2013.

The Bethune K-8 School ASB checking and other asset accounts as of May 31, 2013, had a balance of \$49,500.00. The ASB General Fund constitutes a balance of \$4,100.00 of this total. Approximately \$63,900.00 was deposited and \$62,100.00 was withdrawn between July 1, 2012 and May 31, 2013, through the Bethune K-8 School ASB accounts.

Audit Objectives

- To determine if the internal control system is adequate and effective.
- To determine if the ASB activities comply with district procedures.
- To determine that the ASB expenditures are authorized and have adequate supporting documentation.

- To determine that record keeping surrounding the operation of the ASB are sufficient to reasonably assure efficient and accurate accounting.

Audit Scope

Our review included an analysis of the ASB financial activities from July 1, 2012 through May 31, 2013. We examined the procedures being followed and transactions for cash receipts and disbursements of the ASB funds.

Audit Findings

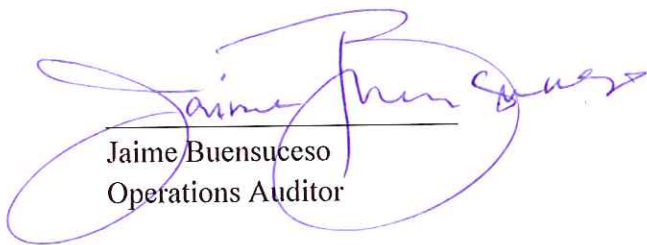
1. The Bethune K-8 School – Parent Teacher Student Organization (PTSO) conducted fund-raisers for the benefit of the school without written approval from the prior principal.
2. The Bethune K-8 School - PTSO controlled the funds that they raised and donated to the school.
3. Cash advances to a PTSO officer totaling \$5,400.00 were not supported by receipts.
4. Supporting documents for ASB expenditures totaling \$5,980.99 are missing.
5. The PTSO funds deposited in the ASB were used for staff appreciation meals totaling \$928.34.
6. An ASB Consultant form was not completed for the payment of services.
7. ASB requisitions were not signed by student representative and ASB or club advisor.
8. The documents supporting the expenditures are not cancelled upon payment.
9. The bank reconciliation was not prepared in a timely manner.

Conclusion


In our opinion, the ASB financial activities at Bethune K-8 School from July 1, 2012 to May 31, 2013, need improvement and reforms. Specifically, non district organizations like PTO do not control the use of their donated funds to the school. The student body and the school administration must control all collections and expenses of the ASB funds including donations to the school in accordance with the district regulations.

We also require the school administration to stop the practice of using the student body funds for the personal benefit of the staff, and stop the giving of cash advances. The ASB checks are issued when supported by original invoice or receipt.

We appreciate the cooperation of school personnel during the examination.



Jaime Buensuceso
Operations Auditor



W. Stephen Carr
Director , Office of Internal Audit

Audit Findings and Recommendations

- 1. The Bethune K-8 School – Parent Teacher Student Organization (PTSO) conducted fundraisers for the benefit of the school without written approval from the prior principal.**

For school year 2012/2013, the PTSO conducted fundraisers with the help of the students and raised a total amount of \$44,413.86 from a Spring Fund-raiser and a Halloween Carnival. These fundraisers did not have prior written approval from the prior principal and therefore, violated District Procedure No. 9325.

District Administrative Procedure No. 9325, section C.3.f. states “**Request to conduct a fundraising activity.** Nondistrict Organizations and individuals requesting permission to conduct a fundraising activity must complete and submit a “Request For Approval Of Fundraising Activity By A Nondistrict Organization” form to the principal.”

Recommendation:

We require that prior to any fund raising activity, a written permission is obtained from the principal. A copy of the written approval must be on file at the school office.

2. The Bethune K-8 School - PTSO controlled the funds that they raised and donated to the school.

For school year 2012/2013, the PTSO conducted fundraisers (Spring Fund-raiser and Halloween Carnival) with the help of the students and raised a total amount of \$44,413.86. These funds were deposited in the ASB account and are being used only with prior approval of the Bethune K-8 School – PTSO, a violation of District Procedure No. 9325.

District Administrative Procedure No. 9325, section C.3.f. states

“Fundraising activities held at a school for the benefit, in whole or in part, of that school:

- (1) Nondistrict organizations may raise funds and donate those funds to the district or purchase items with their funds for donation or assistance to the district.
- (2) Nondistrict organizations may donate funds to the student organization(s); however, after they do so, only the student organizations can control how the funds will be used.
- (3) School fundraisers operated by the school through the support of parent groups that are not officially organized are fundraisers of the school and all financial transactions must pass through the school office. The principal shall control all collections, deposits, and expenditures of monies, whether the transaction is by cash or by check.”

Recommendation:

We require that only the school authorities and student organizations control how donations or funds donated to the school by a nondistrict organizations or individual will be used.

3. Cash advances to a PTSO officer of \$5,400.00 were not supported by receipts.

From July 2011 to October 2012, a PTSO officer requested cash advances on seven occasions totaling \$5,400.00 that were not supported by receipts or invoices that supported how the cash advances were used - as follows.

Date	Check No.	Description	Amount
07/15/11	1201	8 th Grade Promotion	\$ 500.00
10/17/11	1224	Fall Festival Items	1,000.00
06/29/12	1306	Benches	500.00
07/16/12	1313	2012 Promotion Expenses	600.00

07/18/12	1316	Parent Room Project	1,000.00
10/17/12	1333	10/27/12 Festival	800.00
10/23/12	1334	Halloween Festival Fundraising	1,000.00
		Total	\$5,400.00

Recommendation:

We require the PTSO officer to turn over all receipts/invoices relative to the cash advance that she received to determine that funds had been used for intended purposes.

We require that the school administration cease the practice of giving cash advances and using an external organization to expend for the school ASB.

4. Supporting documents for ASB expenditures totaling \$5,980.99 are missing.

Ten ASB checks were issued totaling \$5,980.99 without supporting documents on file as follows.

Date	Check No.	Description	Amount
07/15/11	1201	8 th Grade Promotion	\$ 500.00
10/17/11	1224	Fall Festival Items	1,000.00
06/29/12	1306	Benches	500.00
07/16/12	1313	2012 Promotion Expenses	600.00
07/18/12	1316	Parent Room Project	1,000.00
10/17/12	1333	10/27/12 Festival	800.00
10/23/12	1334	Halloween Festival Fundraising	1,000.00
02/25/13	1352	Supplies for classroom project	19.00
03/28/13	1368	Supplies	150.00
05/07/13	1374	Staff appreciation	411.99
		Total	\$5,980.99

As a result, we were not able to determine if the funds were used appropriately. Based on the explanations, we cannot establish that the monies were spent on allowable or legitimate expenditures.

Recommendation:

We require that all receipts/invoices relative to the above ASB checks be submitted by the requestor and kept on file.

5. The PTSO funds deposited in the ASB were used for staff appreciation meals totaling \$928.34.

We noted that PTSO funds deposited in the ASB for the benefit of the school were used to pay for staff appreciation meals totaling \$928.34 as follows.

Date	Check No.	Description	Amount
12/14/12	1347	Supplies for Staff Luncheon	\$ 116.54
05/07/13	1374	Staff Appreciation	411.99
05/20/13	1379	Staff Appreciation Supplies	350.00
05/20/13	1380	Staff Appreciation Supplies	49.81
		Total	\$ 928.34

Staff appreciation meals are considered a gift of public funds and should not be reimbursed.

District Administrative Procedure No. 2225, section C.6.e. states “**Expenditures for faculty.** Faculty funds may be accepted as earmarked funds, such as faculty social fund, but expenditures must be limited to amount deposited by the faculty. *Under no conditions shall student body money be expended for the benefit of faculty.*”

Excerpt from Fiscal Crisis Management and Assistance Team (FCMAT) ASB Accounting Manual, Fraud Prevention Guide and Desk Reference.

Employee Appreciation Meals

A 1978 legal opinion issued by the California attorney general concluded that a governing board is not authorized by Education Code section 44032 to provide for the reimbursement to its employees for the cost of meals purchased for community leaders, including public officials, regardless of whether such acts are deemed to be in the best interest of the school district. The attorney general concluded that the foregoing expenditures were not “actual and necessary” expenses within the meaning of Education Code section 44032 and thus could not be reimbursed. Absent special circumstance, it is unlikely that a court would conclude that an expenditure for employee appreciation meals, which do not qualify as awards, would serve a direct and/or substantial public purpose.

Recommendation:

We require that the principal establish practices that comply with Education Code and Administrative procedure to not pay staff incurred expenses through the student ASB.

6. An ASB Consultant form was not completed for the payment of services.

On 3/18/13, an ASB check # 1363 totaling \$200.00 was issued to a DJ for an ASB dance held on 3/15/13. There was no ASB Consultant Form completed by the DJ to support the payment of his service.

The ASB Consultant Form should be completed by the consultant who was hired to perform service for the ASB. The school submits the completed ASB Consultant Form to Accounts Payable Department for preparation of Form 1099 - Miscellaneous Income that is required by the Internal Revenue Service.

Recommendation:

The principal is to institute necessary practices to have the school comply with Internal Revenue Service requirements. The ASB Consultant Form must be completed by any individual who was not an employee of the district but hired by the school to perform services on behalf of the students.

7. ASB requisitions were not signed by student representative and ASB or club advisor.

Our review of seventeen (17) ASB expenditures totaling \$20, 661.19 revealed that only \$7,385.18 (36%) had proper approval, \$9,278.82 (45%) had no approval from a student representative and ASB advisor, and \$3,997.19 (19%) had no ASB requisition on file.

District Administrative Procedure No. 2437, Section C.2.a. states "Student body requisition: A serially numbered, original internal controls form, must be completed as authorization for drawing a student body checks. Approvals of a representative of the student body organization, the ASB advisor or sponsor, and the principal are required."

Education Code, Section 48933 b. states "The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons which shall be obtained each time before any of such funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization."

Recommendation:

To comply with administrative procedure and education code, approval of the representative of the student body organization, the ASB advisor or club sponsor, and the principal should be obtained before issuing an ASB check.

8. The documents supporting the expenditures are not cancelled upon payment.

The financial clerk did not stamp "PAID" the invoices and receipts that support the expenditures. Sound internal control requires that supporting documents for expenditures are cancelled to prevent duplicate payment.

Recommendation:

The principal is to institute procedures requiring that the vendor's invoices and receipts supporting the expenditures are stamped "PAID", dated, and the number of the ASB check noted on the invoice and receipt to lessen the risk of duplicate payments.

9. The bank reconciliation was not prepared in a timely manner.

The bank reconciliations for February 2013 and March 2013 were prepared on 5/6/2013. The bank reconciliations for April 2013 and May 2013, were not prepared until 6/14/13.

For sound internal control, bank reconciliation must be prepared monthly to identify errors that need to be immediately corrected.

Recommendation:

We require that monthly bank reconciliation be prepared as soon as the bank statement is available or no later than the 10th of the following month.



Mary McLeod Bethune K-8 School

F. Matthews, Principal
6835 BENJAMIN-HOLT RD, SAN DIEGO, CA 92114
PHONE: (619) 267-2271 / FAX: (619) 475-5068

TO: STEPHEN CARR, DIRECTOR OF INTERNAL AUDIT

FROM: F. Matthews, Principal *FM*

DATE: October 3, 2013

SUBJECT: **RESPONSE TO BETHUNE ASSOCIATED STUDENT BODY
(ASB) AUDIT REPORT**

- 1 The Bethune Parent Teacher Student Organization (PTSO) has been operating under the assumption that they have full autonomy. They have been informed of the restrictions and limitations. Funds raised are donated to Bethune's ASB and not controlled by PTSO. The PTSO is now looking into setting themselves up with their own account and tax identification so they may have less restrictions on future fundraisers.
- 2 The Bethune PTSO has been informed by the principal that they must have prior written approval before arranging or conducting any fund-raisers for the benefit of Bethune.
- 3 The principal has informed PTSO officers of the expenditures (\$5,400), which required receipts to maintain compliance. To alleviate any future problems the PTSO has been advised by the principal that they have no authorization to request checks even if in behalf of Bethune. All arrangements must have prior approval by the principal.
- 4 ASB expenditure supporting documents of \$5,980.99 have been addressed and to alleviate this problem there will be no release of monies to ASB without prior written documentation and approval by the principal.
- 5 The principal has restricted ASB monies for any future staff appreciation meals. Any monies being used must be funded through the social committee.
- 6 The principal has informed ASB and the ASB representative that a consultant form MUST accompany each request for payment of service. This will eliminate problems for DJ's at dances or other type of services used.
- 7 The principal has informed ASB and the ASB representative that all requisition must be signed by the student representative and the ASB advisor. This will be arranged during ASB class meetings.
- 8 The finance clerk was informed that expenditures must be cancelled upon payment.

The mission of Bethune K-8 School is to give students tools to excel in high school and beyond, and motivate them to become thriving citizens in a changing global society.

**SUBJECT: RESPONSE TO BETHUNE ASSOCIATED STUDENT BODY
(ASB) AUDIT REPORT
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- 9 The finance clerk has been informed to maintain reconciliation in a timely manner. The principal and the finance clerk will meet weekly to verify and review to ensure District compliance is in place.
- 10 Bethune has not been allocated a financial clerk therefore the administrative aide has taken the responsibility of maintaining sound financial records. She receives, from the District's Finance Group, regular communication and updates to ensure Bethune is keeping in compliance with District policies and procedures.

NOTE:

I have been the principal for Bethune K-8 since June 2013. I was made aware of the situation after the audit was completed. For the 2013-2014 school year we are motivated to implement policies to certify compliance with district procedures.

C: L. Jackson, Area 2 Superintendent
Jamie Buensuceso, Internal Auditor