



San Diego Unified School District

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FINANCE AND BUSINESS SERVICES
Fiscal Control

AUDIT REPORT

ASSOCIATED STUDENT BODY

July 8, 2020

INTRODUCTION

This report summarizes the results of Fiscal Control's Internal Audit of the Associated Student Body (ASB) financial operations for Fiscal Year 2018/19. ASB is an area that pose risks to the District due to the lack of segregation of duties and high volume of cash handling. An audit was performed for twenty-four schools to support and strengthen the District ASB operations and internal controls. At the completion of the audit, a corrective action memo noting the observations and recommendations was submitted to each principal. Management request that the principal respond with a plan of action to resolve the observations identified during the audit.

SCOPE AND OBJECTIVES

The schools ASB financial activity and accounting processes were reviewed from July 1, 2018 through February 21, 2019. The audit included three high schools, three middle schools, three K-8 grade schools, thirteen elementary schools, one atypical schools, and one alternative school. The specific objectives of this audit were to determine that:

- District policies, procedures and State requirements were followed
- Internal controls were followed for the receipt and disbursement of funds
- Internal controls were followed for fundraising activities
- Accounting transactions were recorded properly and general ledger accounts reconciled
- Inventory and other assets were adequately accounted for and secured

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SUMMARY OF FINDINGS

Ref #	DESCRIPTION OF FINDINGS	Number of Schools	Organized ASBs (Secondary Schools)*	Unorganized ASBs (Elementary, K-8 Schools)
1	No Fundraising Request Form was completed and approved for ASB and/or the School Connected Organization fundraising activities	10	1	9
2	Purchases were not preapproved	8	0	8
3	Supplemental receipts for fundraising collections were not used	6	0	6
4	A cash count form was not submitted when funds were turned into the school office	6	0	6
5	Monthly bank reconciliations were not prepared timely	6	0	6
6	The bank reconciliations were not approved, nor submitted with the monthly financial statements	6	0	6
7	Paid invoices or reimbursements receipts were not marked paid	6	2	4
8	Inactive trust accounts were not transferred to the ASB General Fund	5	1	4
9	Non-allowable expenses were paid with ASB funds	5	1	4
10	Checks outstanding for more than six months were not cancelled	3	0	3
11	Disbursements were missing supporting documentation	3	0	3
12	Goods were shipped to a home address	3	1	2
13	Inventory was not taken or adequately safeguarded	3	1	2
14	Dual count was not evident on the cash count form	3	1	2
15	Cash receipts were not used for some or all transactions	2	0	2
16	Staff social account included on the ASB books	2	0	2
17	Deposits were not made timely	2	0	2
18	Journal entries were not approved	1	0	1
19	No ASB budget was adopted and approved	1	1	0
20	A staff used their personal Costco card for ASB purchases	1	1	0
21	ASB checks issued did not have two signatures	1	0	1
	TOTAL	83	10	73

* Includes atypical and alternative schools

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CONCLUSION

Based on the audit findings, the ASB financial operations needs improvement in a number of areas concerning compliance with District policies and procedures. Seventy-three of the eighty-three audit findings were found at elementary schools. The areas of concern include fundraising activities, cash receipts, cash disbursements (including non-allowable expenses), inventory, monthly bank reconciliations, and inactive trust accounts. District internal controls must be followed to adequately safeguard cash and other assets and provide accurate accounting of student body funds.

Although ASB training and support is provided annually to support ASB operations, not all schools participate. It is recommended that staff members in ASB operations attend or complete online training regarding ASB procedures.

We appreciate the cooperation of the school's staff during the audit.

DocuSigned by:

Susan Jarrold

Susan Jarrold, Operations Auditor

DocuSigned by:

Alicia Rolfe

Alicia Rolfe, Manager, Fiscal Control

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FINDINGS AND RECOMMENDATIONS

1. Fundraising forms were not approved by the principal (Ref #1)

Fundraising forms were not completed and approved for ten of the twenty-four schools. Before any fundraising activity can be held, approval must be obtained by the principal.

Recommendation

Education Code Section 48932 and District Procedure 6240 require all fundraising activities to be approved by the principal or their designee prior to the fundraising activity. School Connected Organizations (PTA, PTO, Booster Clubs, and Foundations) must also complete the Fundraising Request Form and have it approved by the principal or their designee. This form informs the principal when and where the fundraiser will take place, if the fundraiser conflicts with another activity, and if the fundraising is safe and appropriate.

Corrective Action

During the exit interview, the District's procedures regarding completion of Fundraising Approval Forms were reviewed with staff and the principal. Principals stated in their Corrective Action response they will follow the procedures. They also discussed the audit findings and procedures to be followed with the appropriate staff/students. One school did not respond. Additionally, ASB training is provided to all school staff at the beginning of each school year including ASB fundraising procedures.

2. The following cash disbursements controls were lacking (Ref #'s 2, 7, 11, 12, 21)

- a) Cash disbursements were not preapproved
- b) Paid invoices or reimbursements receipts were not marked paid
- c) Supporting documentation for cash disbursements were missing or inadequate
- d) For one elementary school, ASB checks issued did not have two signatures
- e) Purchases were shipped to the employee's home address

Recommendations

- a) Eight elementary schools did not have a process in place for preapproving purchases. Elementary schools are considered unorganized ASB as there generally is no organized student council and the students do not govern themselves. The principal is responsible for authorizing all disbursements prior to the purchase. Prior to any ASB purchase, a preapproval form should be completed and approved by the principal.
- b) When paid, all original invoices and reimbursement receipts should be marked "PAID" to prevent any duplication of payment.

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- c) Prior to paying any vendor, all payments should be supported with an itemized invoice matching the amount due. Order confirmations should not be used as the total due may differ from the invoice amount and lack itemization of purchases made.
- d) All ASB checks issued require the signatures of both the principal and elementary school assistant.
- e) When orders are placed, the shipping address should be the school's address for confirmation of receipt of merchandise.

Corrective Action

During the exit interview, the District's procedures regarding cash disbursement controls were reviewed with staff and the principal. All principals stated in their Corrective Action response they will follow the procedures. They also discussed the audit findings and procedures to be followed with the appropriate staff. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding ASB cash disbursement controls and procedures.

3. The following cash receipt controls were lacking (Ref #'s 3, 4, 14, 15, 17)

- a) Pre-numbered receipts were not issued
- b) Cash collections were not supported with supplemental receipts
- c) Cash count forms were not completed for cash collections. Some of the cash count forms were missing a dual count
- d) Deposits were not made timely

Recommendations

- a) All cash collections must be supported with a pre-numbered cash receipt, and a receipt copy issued to the person submitting the funds.
- b) To ensure that all proceeds from an event are properly submitted and accounted for, it is imperative that effective cash control procedures be implemented that allow for reconciliation between money actually collected and the fundraiser sales records. Cash collections should be supported with supplemental receipts such as District supplemental receipts, ticket sales recap, inventory recap, cash register tapes, tally sheets, group activity receipts, designated donation forms, or other auditable records.
- c) At the end of the fundraising event, a cash count form should be completed supporting the counted cash collections. At least two people should independently count the cash and checks collected prior to submitting to the school office for deposit, and sign the cash count form. The school staff receiving the funds should count the cash in front of the person submitting the funds and also sign the form.
- d) All monies collected should be deposited the next business day, or at least weekly, regardless of amount.

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Corrective Action

During the exit interview, the District's procedures regarding cash receipt controls were reviewed with staff and the principal. Principals stated in their Corrective Action response they will follow the procedures. They also discussed the audit findings and procedures to be followed with the appropriate staff/students. Two schools did not respond. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding ASB cash receipt controls and procedures.

4. Monthly bank reconciliations procedures were lacking (Ref #'s 5, 6, 10)

- a) Monthly bank reconciliations were not completed timely
- b) Monthly bank reconciliations were not approved, nor submitted with the monthly financial statements
- c) Checks outstanding for more than six months were not cancelled

Recommendations

The monthly bank reconciliations should be submitted with the monthly financial reports to the principal for review and approval within two weeks after the month-end. For all ASB checks outstanding over six months, follow-up with the payee to confirm if you need to reissue the check. If no contact can be made, prepare a journal entry to write-off the stale dated check, reversing the original entry.

Corrective Action

During the exit interview, the District's procedures regarding monthly bank reconciliations were reviewed with staff and the principal. Principals stated in their Corrective Action response they will follow the procedures. They also discussed the audit findings and procedures to be followed with the appropriate staff. Two schools did not respond. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding monthly bank reconciliation procedures.

5. Inactive trust accounts were not transferred to the ASB General Fund (Ref #8)**Recommendation**

Inactive trusts accounts should be reviewed by the principal one year after the club/activity is disbanded or inactive. For disbanded and inactive accounts, transfer the funds to the ASB General Fund to benefit all the students.

Corrective Action

During the exit interview, the District's procedures regarding inactive trust accounts were reviewed with staff and the principal. All principals stated in their Corrective Action response they will follow the procedures. They also discussed the audit findings and procedures to be followed with the

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appropriate staff. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding the proper procedures for closing ASB inactive trust accounts.

6. Non-allowable expenses were paid with ASB funds (Ref #9)

Four elementary schools and one middle school used ASB funds to pay for the following non-allowable items or services:

Description	Amount
Parent literacy workshop snacks	\$21.78
Extra office help	225.00
Movie tickets for student awards (gift certificates not allowed) *	1,034.95
Staff t-shirts 18/19 \$625.66 and 17/18 \$540.33	1,165.99
Staff t-shirts \$394.36	
Staff finger prints \$168	562.36
Total	\$3,010.08

* An inventory process was implemented following the audit. Movie ticket are considered Gift Cards. District Procedure 6240, Attachment 4 prohibits gift card purchases with ASB funds.

Recommendation

ASB purchases for the parent literacy workshop snacks, staff finger prints and extra office help should be paid with funds from the District or an outside organization. The staff t-Shirts should be paid with staff funds or a school connected organization such as a foundation, PTA or PTO. The corrective action memo recommended that schools reimburse the ASB General Fund for these non-allowable expenses, except for the movie tickets and the office help. Going forward, movie tickets will be funded with school donations or by school connected organization. Going forward the school will process all payroll expenses through the District's payroll system funded with District funds.

Corrective Action

During the exit interview, the District's procedures regarding non-allowable expenses were reviewed with staff and the principal. All principals stated in their Corrective Action response they will follow the procedures. ASB funds were properly reimbursed for the non-allowable expenses except for one school, for which a reimbursement to ASB is in process. Additionally, ASB training is provided to all school staff at the beginning of each school year clarifying allowable vs. non-allowable ASB expenses.

7. Inventory was not taken or adequately safeguarded for merchandise on hand (Ref #13)

Two elementary schools did not take an annual physical inventory count. One high school's inventory count was not adjusted since June 2017, and was not adequately safeguarded.

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Recommendation

A physical inventory count should be performed at least annually near the end of every school year, making an adjustment to the inventory account. The inventory records must be kept for audit purposes. All merchandise should be kept in a secured location.

Corrective Action

During the exit interview, the District's procedures regarding inventory controls were reviewed with staff and the principal. All principals stated in their Corrective Action response they will follow the recommendations. They also discussed the audit findings and procedures to be followed with the appropriate staff. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding inventory controls and procedures.

8. For two elementary schools, a staff social account was included on the ASB books (Ref #16)

In July 2018, a memo was emailed to all principals regarding the closing of staff social accounts. The memo is based on a finding from the District's external auditors recommending that staff social funds not be comingled with ASB funds.

Recommendation

All staff social accounts should be closed with the funds returned to the committee members.

Corrective Action

Both schools staff social accounts are now inactive.

9. A staff used their personal Costco card for ASB purchases (Ref #20)

Recommendation

Staff should not make purchases using their personal membership and credit cards. The District issues Costco business membership cards for ASB purchases. The membership fee is paid by ASB. Alternatively, orders can be made online paying the vendor directly with an ASB check upon delivery. There are many benefits to ordering online that offset any potential higher costs.

Corrective Action

The principal stated in the Corrective Action response that the Costco cards will be registered with the District's Costco Membership Program. The school has not registered the Costco card with the District Program. The District will follow-up with the school to register the Costco card with the District's Program.

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10. Two journal entries for one elementary school were not approved (Ref #18)

Recommendation

All journal entries should be approved by the principal and included with the monthly bank reconciliation packet.

Corrective Action

During the exit interview, the District's procedures regarding approval of journal entries were reviewed with staff and the principal. The principal approved the journal entries and stated in the Corrective Action response that proper procedures will be followed. Additionally, ASB training is provided to all school staff at the beginning of each school year regarding journal entry procedures.

11. One middle school's student council did not prepare and adopt their ASB budget (Ref #19)

Recommendation

With the ASB advisor's guidance, the student council should develop an ASB budget. The preliminary budget should be adopted by June 1, and the final budget, by November 1.

Corrective Action

During the exit interview, District's procedures regarding the ASB budget was discussed with staff and the principal. A preliminary ASB budget was prepared and adopted for the following school year. ASB training is provided to all ASB student officers and staff at the beginning of each school year regarding preparing and adopting an annual ASB budget.