

***DISTRICT RESPONSES TO
EXTERNAL AUDITOR'S OBSERVATIONS & RECOMMENDATIONS***

Bank Reconciliations

Observation

The bank reconciliations for the District's clearing account, revolving cash fund account, and the Cafeteria account are not being reviewed by an independent person after being prepared by the preparer. The bank reconciliations were not signed by two individuals indicating who completed and who reviewed the reconciliation.

Recommendation

The bank reconciliations should be prepared and reviewed on monthly basis and all records should be readily available for review. Procedures should require another individual other than the person completing the reconciliation to review the completed bank reconciliation and both should initial the bank reconciliation. The independent reviewer ensures that the bank reconciliations are prepared accurately. Without the review, the bank accounts are at greater risk of not identifying erroneous or intentional discrepancies.

District Response

The District agrees with this observation and has another individual separate from the reconciliation process reviewing the bank reconciliations each month. The preparer and the reviewer are signing the bank reconciliations as validation.

Disbursements

Observation

We noted four of the 40 purchase orders/purchase requisitions reviewed were dated after the date on the invoice. This would indicate that items are being purchased prior to being approved.

Recommendation

The District should take the necessary steps to ensure that all items have an authorized purchase order prior to the item being purchased to indicate the proper authorization of disbursements.

District Response

The District agrees and requires all purchases to be processed through the purchasing department. However, there are times when the need arises for emergency purchases. In these instances, the District has a rigorous approval process (must be approved by the site/department head and a member of Senior Cabinet for justification). In addition, the purchasing department will review "confirmation" purchase orders on a quarterly basis to ensure all processes are being followed.

Observation

We noted four of the 40 disbursements for Travel & Conferences advances did not perform the reconciliation and/or submit receipts on a timely basis.

Recommendation

The District should enforce the current policy for travel advances indicating that the receipts are required to be submitted for all expenses within fifteen days upon conclusion of the event. Each employee is required to complete an expense log envelope with the valid receipts and proper signatures before returning the envelope to the Accounting Department.

District Response

The District does require that travel advances be reconciled and all documentation be turned into the accounting department before the end of fifteen working days. The District is going to amend its current policy to allow a greater length of time (30 days) in which to reconcile travel advances.

Observation

We noted eight out of the 40 Direct-Pay disbursements selected were used for items that would be normally be encumbered with an open/blanket Purchase Order. Legal fees, consulting contract fees, and other professional services were paid using a Direct-Pay.

Recommendation

The District should use Open Purchase Orders for items that could be estimated and or scheduled throughout the year. This includes consulting services, legal services, and other expenses that are consistently paid annually. The Open Purchase Order would increase the controls over preapproval and sufficiency of funds.

District response

The District acknowledges and agrees that expenditures must be approved prior to purchase. The expenditures noted are approved in the budget and are approved by the appropriate administrator. The District has narrowed the types of expenditures that will be processed as Direct Payments/Request for Payments. Examples include but are not limited to:

- Revolving Cash
- Mileage reimbursement for employees
- ROTC payments to reimburse ASB's
- Retiree H & W benefits

ASSOCIATED STUDENTY BODY FUNDS

Castle Park High School ASB

Observations

During the audit of student body funds, we noted the following issues:

- Three checks were not deposited timely.
- The fundraising cash deposit forms were not signed by two individuals.
- Disbursements were not approved before the commitment was made with the vendor.
- One revenue potential form was not completed accurately.

- Four disbursements were made without explicit receiving documentation for goods being ordered (i.e. receiving signature/initial). As a result, vendor invoices were being paid without the direct knowledge of whether or not the goods being ordered have been received and/or reviewed.
- One payment was posted for a trust account that is not controlled by the ASB student council.
- The bank reconciliations were not signed by two individuals indicating who completed and who reviewed the form.
- Disbursements and fundraising activities were not noted in ASB council minutes.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the sites. During weeks of high cash activity there may be a need to make more than one deposit.
- Due to the highly susceptibility to theft or loss, accountability of cash should be assigned throughout all steps of the cash receipting/depositing procedures. In order to ensure accountability of cash, the site should ensure that all deposit slips be signed by two individuals indicating the presence of two people during the deposit of ASB monies.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- In order to ensure the profitability of a fundraiser, the revenue potential form must be completed accurately. The site should ensure that all totals are accurate and document any differences between estimated and actual sales totals.
- All goods being ordered should be documented with explicit receiving documentation and forwarded to the ASB Finance Tech. Documentation should indicate the date that the goods have been received and intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation has been received by the Bookkeeper.
- All ASB trusts transactions must require proper ASB disbursement procedures in order to ensure proper internal controls. Accounts held by ASB must be spent as determined by the student's decision and only for the benefit of the sites students.
- The bank reconciliations should be prepared monthly and all records should be readily available for review. Procedures should also require the administrator to review and sign the completed bank reconciliation.
- All authorized ASB transactions must be noted in ASB Student Council minutes. Transactions include disbursements, fundraising activities, and any other relevant transaction that requires ASB participation.

District Response

- The District agrees that deposits must be made in a timely manner and requires that deposits be made twice weekly. In addition, if there is a high sales volume period or a school vacation, the district requires that the ASB request a separately scheduled armored car pick-up.

- The District agrees with the recommendation and has reiterated with ASB staff that the fundraising “money count” deposit forms be signed by the individual bringing the deposit in as well as by the individual receiving the deposit.
- ASB student councils are ratifying expenditures. The prior approval is fulfilled by the use of an ASB purchase order or a pre-approved check request.
- As noted in District Regulation 3430.1 “At the end of each activity or fund-raiser, the reconciliation portion of the activity/fund-raising must be completed by the club advisor and submitted to the ASB office if gross sales are equal to or greater than \$1,000. In the situation noted, the gross sales were under \$1,000.
- Documentation was present for all disbursements however the invoices were not signed to verify receipt of services and goods. All ASBs have been reminded to contact the advisors to verify receipt of items/services.
- All monies held in trust within the ASB are in control of the ASB student council for approval. It is unclear which account the auditor is referring to.
- The District agrees that the bank reconciliation be signed by the preparer and the reviewer. This has been reiterated with all ASB staff.
- The District is aware and agrees with this finding. ASB administration will make sure that all fundraisers and disbursements are approved by the senate/student council.

Sweetwater Union High School ASB

Observations

During the audit of student body funds, we noted the following issues:

- We noted receipts were deposited over 10 days after receiving the monies and the initial date of the receipt. This may result in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.
- The fundraising and concessions cash deposits did not provide supporting documentation of items sold.
- Disbursements were not approved before the commitment was made with the vendor.
- There were insufficient records of expenses made for fundraisers.
- The cash on hand was over by \$30.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit.
- Due to the high level of susceptibility to theft or loss, accountability of cash should be assigned throughout all steps during the cash receipting/depositing procedures. In order to ensure accountability of cash, the site should ensure that deposits are accompanied by all supporting documentation indicating the amount of items sold. This will allow a reconciliation to occur that would document monies collected compared to items sold.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

- In order to ensure profitability and allow ability of a fundraiser, all estimated expenses must be documented before the activity occurs. This allows the site to determine whether funds are available for costs associated with fundraising activity. All monies collected from a fundraising activity must be deposited intact.
- The Finance Tech must ensure that monies held by the ASB are intact before the deposit is completed. Any variances should be investigated and documentation of discrepancy should be noted on the close out reports.

District Response

- The District agrees that deposits must be made in a timely manner and requires that deposits be made twice weekly. In addition, if there is a high sales volume period or a school vacation, the district requires that the ASB request a separately scheduled armored car pick-up.
- The District agrees with this observation and requires all ASBs to inventory and account for all concession sales on a daily basis.
- ASB student councils are ratifying expenditures. The prior approval is fulfilled by the use of an ASB purchase order or a pre-approved check request.
- The District agrees that all expenditures be accounted for and requires all ASBs to correctly account for all disbursements.
- The District agrees that all change funds match the ASB balance sheet. In this instance, the overage was deposited and accounted for.

Castle Park Middle School

Observations

During the audit of student body funds, we noted the following issues:

- Three out of 33 receipts were not deposited on a timely basis. We noted receipts were deposited over 10 days after receiving the monies and initial receipt date. This may result in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.
- One of 19 cash disbursements tested lacked documentation detailing who were the receivers of gift cards purchased with ASB funds.
- The site is not maintaining a ticket control log. In addition, ticket rolls used for lunch dances were not present during the audit, even though there was no dance held that day.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- It is recommended that the ASB maintain documentation which indicates the gift card that was given away as well as the student who received it.
- A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. When ticket roles are issued they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued to. In addition, ticket rolls should be safeguarded as if they were cash because lost tickets equate lost revenue for the ASB.

District Response

- The District agrees that deposits must be made in a timely manner and requires that deposits be made twice weekly. In addition, if there is a high sales volume period or a school vacation, the district requires that the ASB request a separately scheduled armored car pick-up.
- The District agrees that all disbursements must be fully documented. In the case of gift cards, a log with identifying information (student signature) must be attached to the disbursement. The District has reminded all ASBs of this requirement.
- The District agrees with this observation and has reminded the ASBs about the maintenance of ticket inventory as well as accounting for tickets sold (ticket log).

National City Middle School

Observations

During the audit of student body funds, we noted the following issues:

- One of 21 disbursements tested lacked two of the three required approval signatures on the purchase requisition/purchase order.
- All of the 21 disbursements tested lacked pre-approval within ASB council minutes (indicating disbursements took place prior to them being approved by the student council).

Recommendations

- Three signatures are required on all ASB disbursements, which should be a student representative, a site administrator, and a club advisor.
- Student council minutes should be taken and filed, which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.

District Response

- The District agrees with this observation and has reminded all ASB personnel that purchase orders/check requests must be signed by all three required signatories.
- ASB student councils are ratifying expenditures. The prior approval is fulfilled by the use of an ASB purchase order or a pre-approved check request.

Palomar Continuation High School

Observation

A dual count is not taking place when money is turned into the secretary. Instead, cash is dropped off and the secretary reconciles the cash to supporting documentation after the fact. This increases the risk of not being able to identify the reason for the overages or shortages should they be discovered later on.

Recommendation

We recommend that club advisors and the secretary perform a count of the money together when it is being turned in for deposit. In addition, both the secretary and club advisor should sign and date the cash collection form to indicate when the dual count took place.

District Response

The District agrees with this observation and has directed that staff no longer drop off deposits but rather wait until the secretary is available so that a dual count can take place. In addition, both the depositor and receiver will sign the money deposit form for verification.