



Oak Park Elementary School District 97

970 Madison ▪ Oak Park ▪ Illinois ▪ 60302 ▪ ph: 708.524.3000 ▪ fax: 708.524.3019 ▪ www.op97.org

TO: Dr. Albert G. Roberts, Superintendent of Schools
FROM: Therese M. O'Neill, Asst. Supt. for Finance & Operations
SUBJECT: Internal Control Audit
DATE: July 17, 2012

At both its April 10 and April 24, 2012 meetings, the Board of Education first reviewed and then approved the proposal from McGladrey & Pullen for conducting a second Internal Control audit of the Business Office systems (see attachment #1), utilizing Board adopted policies and administrative procedures for cash disbursements, cash receipts, student activity account disbursements and journal entries. Further, payroll was analyzed, though not included in the original proposal.

Attached is the draft report from McGladrey & Pullen delineating the process undertaken for Cash Disbursements, Cash Receipts, Student Activity Account Disbursements and Journal Entries and the last sentence on page 4 which reads: "There were no exceptions or findings noted as a result of the above procedures performed."

Once again, I commend the efforts of the Business Office staff members (Marcy Shannon, Fiscal Services Coordinator; Cynthia Moczarny, Purchasing & Accounts Payable Clerk; and, Sandra Merges, Payroll Clerk, for their consistent and diligent efforts in performing these essential financial functions on behalf of Oak Park District 97.

Mr. Brian Guastella will be in attendance at Tuesday evening's meeting and will be bringing a final version of this document with him, including the Payroll analysis, which he informed me, via telephone today, also had no findings.

tmo

attachments (2)



Oak Park Elementary School District 97

970 Madison ▪ Oak Park ▪ Illinois ▪ 60302 ▪ ph: 708.524.3000 ▪ fax: 708.524.3019 ▪ www.op97.org

TO: Dr. Albert G. Roberts, Superintendent

FROM: Therese M. O'Neill, Assistant Superintendent for Finance & Operations

RE: Business Office – Internal Control Audit

DATE: April 10, 2012

With the renewal of the audit contract with McGladrey & Pullen for the Fiscal Year 2011, 2012 and 2013 school years, the Board of Education requested that another Internal Control audit be conducted. As indicated at the March 13, 2012 meeting, the auditors have finalized the proposal for the work to be conducted as part of this audit and it is delineated in the attached document, aligning adopted Board policies and administrative procedures, to be reviewed. It is currently presented in *DRAFT* format in the event the Board wishes to make any revisions prior to returning for formal approval at the April 24, 2012 meeting. The anticipated fee associated with conducting this internal control audit is estimated at between \$7,000-\$9,000.

Mr. Brian Guastella from McGladrey & Pullen is available to attend the meeting on April 10, 2012 if the Board wishes him to be present.

Attachments (1)

April 3, 2012

To the Board of Education
Oak Park School District 97
970 West Madison
Oak Park, Illinois 60302

This letter is to explain our understanding of the arrangements for, and the nature and limitations of, the services we are to perform for Oak Park School District 97 ("District") with respect to certain records and transactions of the District for the purpose of assisting you in evaluating management's assertions about the District's compliance with certain policies and procedures from July 1, 2011 to March 31, 2012. The specific procedures to be performed are included as an attachment to this letter.

Engagement Services

Our engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Because the procedures included in the attachment to this letter do not constitute an audit made in accordance with generally accepted auditing standards, we will not express an opinion on any of the specific elements, accounts, or items referred to in our report or on the financial statements of District taken as a whole.

At the conclusion of our engagement, we will submit a report in letter form outlining the procedures performed and our findings resulting from the procedures performed.

Our report will contain a statement that it is intended solely for the use of Oak Park School District 97 and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Should you desire that others be added to our report as specified parties, please contact us as it will be necessary to obtain their agreement with respect to the sufficiency of the procedures for their purpose.

Our report will also contain a paragraph pointing out that if we had performed additional procedures or if we had conducted an audit in accordance with generally accepted auditing standards, matters in addition to any findings that may result from the procedures performed might have come to our attention and been reported to you.

The procedures that we will perform are not designed and cannot be relied upon to disclose errors, fraud, or illegal acts, should any exist. However, we will inform the appropriate level of management of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential.

Furthermore, the procedures were not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Board of Education any significant deficiencies or material weaknesses that become known to us during the course of the engagement.

Oak Park School District 97's Responsibilities

The sufficiency of the procedures included in the attachment is solely the responsibility of Oak Park School District 97. We make no representation regarding the sufficiency of the procedures described above either for the purpose for which these services have been requested or for any other purpose.

Because McGladrey & Pullen, LLP will rely on the District and its management and audit committee to discharge the forgoing responsibilities, the District holds harmless and indemnifies McGladrey & Pullen, LLP, its partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a known misrepresentation by a member of the District's management that has caused, in any respect, McGladrey & Pullen, LLP's breach of contract or negligence. This provision will survive termination of this letter.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

Oak Park School District 97's Records and Assistance

If circumstances arise relating to the condition of the District's records, the availability of appropriate evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the engagement or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Ms. Therese O'Neil, Assistant Superintendent for Finance and Operations. The timely and accurate completion of this work is an essential condition to our completion of our services and issuance of our report.

Fees, Costs, and Access to Documentation

Our fees for the services described above are based on the time required by the individuals assigned to the engagement, plus direct expenses. We estimate that the fees for this engagement will be \$7,000 - \$9,000. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our bill for services promptly upon rendering the special report. Billings are due upon submission.

In the event we are requested or authorized by the District or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the District, the District will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

To the Board of Education
Oak Park School District 97
April 3, 2012
Page 3

This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen, LLP and Oak Park School District 97, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as the District understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

McGladrey & Pullen, LLP

Brian J. Guastella

Confirmed on behalf of the addressee:

DRAFT

Description of Procedures

This section describes the procedures (and references to the Oak Park School District 97 policies) that we will perform for the Oak Park School District 97.

- 1. Cash Disbursements** – We will test compliance with the cash disbursements policies found in the Oak Park School District 97's Board Policies:
 - 6800 – System of Accounting
 - 6801 – System of Business Office Procedures
 - 6470 – Payment of Claims
 - 6320 – Purchasing Policy
 - 6321 – Approved Vendor List
 - 6322 – Credit Card Policy & Usage
 - We will obtain from the District
 - A copy of the listed policies of the Oak Park School District 97
 - A listing of all disbursements during the period July 1, 2011 through March 31, 2012 for all cash and investment accounts.
 - We will randomly select thirty disbursements.
 - For each disbursement selected, we will verify that the disbursement follows the policies listed above

- 2. Cash Receipts** – We will test compliance with the cash receipts policies found in the Oak Park School District 97's Board Policies:
 - 6800 – System of Accounting
 - 6801 – System of Business Office Procedures
 - We will obtain from the District
 - A copy of the listed policies of the Oak Park School District 97
 - A listing of all receipts during the period July 1, 2011 through March 31, 2012 for all cash and investment accounts.
 - We will randomly select thirty receipts.
 - For each receipt selected, we will verify that the receipt follows the policies listed above

- 3. Student Activity Accounts Disbursements** – We will test compliance with the cash disbursements policies related to the Student Activity Accounts found in the Oak Park School District 97's Board Policies:
 - 6800 – System of Accounting
 - 6801 – System of Business Office Procedures
 - 6320 – Purchasing Policy
 - 6321 – Approved Vendor List
 - 6423 – Credit Card Policy & Usage
 - We will obtain from the District
 - A copy of the listed policies of the Oak Park School District 97
 - A listing of all disbursements related to the student activity accounts during the period July 1, 2011 through March 31, 2012.
 - We will randomly select ten disbursements.
 - For each disbursement selected, we will verify that the disbursement follows the policies listed above

- 4. Journal Entries** – We will test compliance with the journal entry policies found in the Oak Park School District 97's Board Policies:
- 6800 – System of Accounting
 - 6801 – System of Business Office Procedures
 - We will obtain from the District
 - A copy of the listed policies of the Oak Park School District 97
 - A listing of all journal entries posted during the period July 1, 2011 through March 31, 2012.
 - We will randomly select ten entries.
 - For each entry selected, we will verify that the entry follows the policies listed above.

DRAFT

**PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
--SUBJECT TO CHANGE--
NOT TO BE REPRODUCED**

**Oak Park School District 97
Oak Park, Illinois**

Independent Accountant's Report on Applying
Agreed-Upon Procedures

Contents

Independent Accountant's Report on Applying Agreed-Upon Procedures	1
Description of Procedures Performed and Associated Findings	2 - 4

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Education
Oak Park School District 97
970 West Madison
Oak Park, Illinois 60302

We have performed the procedures enumerated in the accompanying Description of Procedures Performed and Associated Findings, which were agreed to by management and the Board of Education of the Oak Park School District 97 (District), solely to assist you in evaluating the District's compliance with certain policies and procedures during the period from July 1, 2011 through March 31, 2012. Management is responsible for the District's compliance with these policies and procedures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying Description of Procedures Performed and Associated Findings either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance and on the effectiveness of internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Education and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Chicago, Illinois
July __, 2012

Description of Procedures Performed and Associated Findings

The procedures performed and associated findings were as follows:

Cash Disbursements:

- 1) We obtained a copy of and read the following policies of the District: 6800 – System of Accounting; 6801 – System of Business Office Procedures; 6470 – Payment of Claims; 6320 – Purchasing Policy; 6321 – Approved Vendor Listing; and 6322 – Credit Card Policy & Usage.
- 2) We obtained a listing of all disbursements made during the period from July 1, 2011 through March 31, 2012 for all cash and investment accounts.
- 3) We randomly selected 30 disbursements for testing.
- 4) For each disbursements selected, we obtained the relevant documentation and verified the following, if applicable:
 - a. The check request was initiated by the user department and approved by the Principal/Director.
 - b. The check request was stamped dated received by the Accounts Payable Clerk, properly coded to the expense account and contains a clear description of expense.
 - c. The check request had been approved by the Fiscal Services Administrator.
 - d. The check request was approved by the Assistant Superintendent for Finance & Operations.
 - e. The check amount agreed to the related invoice and check request.
 - f. The disbursement was made to a vendor that is included on the approved vendor listing.
 - g. The check was listed as cleared on the related bank statement.
 - h. The check contained the 2 board members authorized signatures that are automatically generated from the system.
 - i. If the purchase was in excess of \$5,000, the Assistant Superintendent for Finance & Operations or his/her designee considered the acquisition of 3 price quotations without advertising of bids.
 - j. If the purchase was in excess of \$15,000, a Request for Proposal was considered to ensure the District received the most competitive price.
 - k. If the purchase was in excess of \$25,000, the District followed the competitive bidding guidelines as specified in the Illinois School Code.
 - l. The disbursement was approved by the Board and documented in the board minutes.
 - m. Expenditures relating to Employee Reimbursements were made in accordance with the School District policies regarding such disbursements.
 - n. The related purchase order was signed by individual receiving the goods.
 - o. Expenditures relating to Professional Development & Travel Reimbursements were made in accordance with the School Districts policies regarding such disbursements.
 - p. For disbursements relative to cell phone reimbursements, the reimbursed individual was on the approved cell phone distribution listing.
 - q. For credit card expense reimbursements, the reimbursed individual was on the approved credit card listing.
 - r. For credit card expense reimbursements, the expenses were reviewed by the Assistant Superintendent for Finance & Operations prior to payment and contained itemized receipts for all purchases.

Cash Receipts:

- 1) We obtained a copy of and read the following policies of the District: 6800 – System of Account; and 6801 – System of Business Office Procedures.
- 2) We obtained a listing of all receipts during the period from July 1, 2011 through March 31, 2012 for all cash and investment accounts.
- 3) We randomly selected 30 receipts for testing.
- 4) For each receipt selected, we obtained the relevant documentation and verified the following, if applicable:
 - a. The individual receipt amount agreed to the daily cash report prepared by Business Office Secretary.
 - b. The total on the daily cash report agreed to the deposit slip.
 - c. The total of the deposit slip agreed to the deposit amount per the bank statement.
 - d. Through sighting the applicable bank statement, the receipt was deposited at the bank within five days of recording.
 - e. The monthly bank reconciliation which included the deposit was reviewed and approved by the Assistant Superintendent for Finance & Operations.

Student Activity Accounts Disbursements:

- 1) We obtained a copy of and read the following policies of the District: 6800 – System of Accounting; 6801 – System of Business Office Procedures; 6320 – Purchasing Policy; 6321 – Approved Vendor List; and 6423 – Credit Card Policy & Usage.
- 2) We obtained a listing of all disbursements related to the student activity accounts during the period from July 1, 2011 through March 31, 2012.
- 3) We randomly selected 10 disbursements for testing.
- 4) For each disbursement selected, we obtained the relevant documentation and verified the following, if applicable:
 - a. The check request was initiated by the user department and approved by the Principal/Director.
 - b. The check request was stamped dated received by the Accounts Payable Clerk, properly coded to the expense account and contains a clear description of expense.
 - c. The check request had been approved by the Fiscal Services Administrator.
 - d. The check request was approved by the Assistant Superintendent for Finance & Operations.
 - e. The check amount agreed to the related invoice and check request.
 - f. The disbursement was made to a vendor that is included on the approved vendor listing.
 - g. The check was listed as cleared on the related bank statement.
 - h. If the purchase was in excess of \$5,000, the Assistant Superintendent for Finance & Operations or his/her designee considered the acquisition of 3 price quotations without advertising of bids.
 - i. If the purchase was in excess of \$15,000, a Request for Proposal was considered to ensure the District received the most competitive price.
 - j. If the purchase was in excess of \$25,000, the District followed the competitive bidding guidelines as specified in the Illinois School Code.
 - k. The disbursement was approved by the Board and documented in the board minutes.
 - l. Expenditures relating to Employee Reimbursements were made in accordance with the School District policies regarding such disbursements.

**PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
--SUBJECT TO CHANGE--
NOT TO BE REPRODUCED**

- m. The monthly bank reconciliation was reviewed and approved by the Assistant Superintendent for Finance & Operations.
- n. Expenditures relating to Professional Development & Travel Reimbursements were made in accordance with the School Districts policies regarding such disbursements.
- o. For disbursements relative to cell phone reimbursements, the reimbursed individual was on the approved cell phone distribution listing.
- p. For credit card expense reimbursements, the reimbursed individual was on the approved credit card listing.
- q. For credit card expense reimbursements, the expenses were reviewed by the Assistant Superintendent for Finance & Operations prior to payment and contained itemized receipts for all purchases.

Journal Entries:

- 1) We obtained a copy of and read the following policies of the District: 6801 – System of Account; and 6802 – System of Business office Procedures.
- 2) We obtained a listing of all manual journal entries posted during the period from July 1, 2011 through March 31, 2012.
- 3) We randomly selected 10 entries for testing.
- 4) For each entry selected, we performed the following:
 - a. We sighted supporting documentation for the journal entry.
 - b. We sighted approval of the journal entry by the Assistant Superintendent for Finance & Operations.

There were no exceptions or findings noted as a result of the above procedures performed.