

SSAISD BOARD AGENDA - ITEM SUMMARY

MEETING DATE:	May 21, 2014
MEETING TYPE:	<input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> SPECIAL
ITEM TITLE:	Corrective Action Report by Smith Patterson & Johnson
PURPOSE:	<input type="checkbox"/> RECOGNITION <input checked="" type="checkbox"/> REPORT ONLY <input type="checkbox"/> DISCUSSION <input type="checkbox"/> ACTION
PRESENTER(S):	David Roe
REQUESTED BY:	Dr. Abelardo Saavedra

I. DESCRIPTION OF ITEM TO INCLUDE YOUR SPECIFIC REQUEST:

Presentation by David Roe Smith Patterson & Johnson Corrective Action update for the South San Board of Trustees.

II. BACKGROUND INFORMATION (DOCUMENTATION):

Corrective Action Plan attached

III. ALTERNATIVES CONSIDERED (IF APPLICABLE):

N/A

IV. RECOMMENDATION AND IMPACT:

N/A – Oral Report

V. DISTRICT GOAL AND CORRESPONDING DEPARTMENTAL INITIATIVE:

N/A

VI. FUNDING SOURCE-PROGRAM AND/OR BUDGET CODE:

N/A



May 14, 2014

Helen Madla
Board President
South San Antonio Independent School District
5622 Ray Ellison Drive
San Antonio, TX 78242

SUBJECT: Corrective Action Follow-Up Report

Audit Objectives

The objectives of this assessment were to follow-up, document and report the status of management corrective action plans on previously issued internal audit report observations and recommendations.

Scope

The scope of the follow-up included conducting survey inquiries, performing limited observations for corrective action plans represented as implemented, and reporting the status of management responses in the following previous internal audit reports:

- Expenditure Process
- Payroll Process
- 2010 Bond Program
- Campus and Student Activity Funds
- Athletic Center

The scope of work did not include operational effectiveness testing of related internal controls.

Methodology

Our procedures consisted of on-site inquiries of the status of management responses as reported in previously completed internal audits and observations of supporting documentation for the management actions represented as implemented.

We have reported herein the status of management action plans as:

- Implemented
- Partially implemented or
- Not implemented

Please refer to the original reports for the recommendations and management responses related to each of the aforementioned internal audits.

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In our professional judgment, sufficient and appropriate corrective action follow-up procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the criteria and the situations as they existed at the time the procedures were performed. The evidence gathered meets professional audit standards and is sufficient to provide the Board and District management with the proof of the conclusions derived.

Conclusion

We have summarized the status of management action plans below.

Status of Management Action Plans	
Implemented	38
Not Implemented	20
Partially Implemented	12
Total	70

Detailed status results are provided in Attachment A. Below are management action plans that have (1) not been implemented or (2) have been partially implemented, and the respective remaining action needed by management. The ID column corresponds to the Record Number in Attachment A. The Finding column describes the previously reported area of improvement.

ID	Audit	Finding	Owner	Status	Remaining Action Needed
1	Expenditures	Segregation of Duties – Unsatisfactory	Business Office	Not Implemented	An IT administrator should be responsible for the administration of user access process.
3	Expenditures	New Vendor Process and Maintenance of Vendor System and Files – Unsatisfactory	Business Office	Partially Implemented	Periodic review of existing vendor files for completeness of file documentation, review and purging of inactive vendors, and review of changes to vendor file information needs to be performed.
5	Expenditures	Competitive Pricing – Needs Major Improvement	Business Office	Not Implemented	Update the Purchasing & Warehouse Guidelines to note Special Education contracts and technology services as part of Professional Services and clarify renewal process. Retain evidence of Purchasing Director's monthly review of expenditures over

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ID	Audit	Finding	Owner	Status	Remaining Action Needed
					\$10,000.
6	Expenditures	Board Approval on Expenditures over \$10,000 - Needs Major Improvement	Business Office	Not Implemented	All expenditures over \$10,000 should be presented to the Board of Trustees for approval. In the event that a contract renews or an approved amount increases, the change to expenditure should be presented to the Board for approval.
7	Expenditures	Accounts Payable Reconciliation - Needs Major Improvement	Business Office	Partially Implemented	Formal account payable reconciliations should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.
8	Expenditures	Positive Pay Transmission Control - Needs Improvement	Business Office	Partially Implemented	Accounts Payable procedures should be documented. The procedures should include positive pay instructions and controls to ensure consistency and accuracy of the process.
9	Expenditures	Positive Pay Disbursement Controls - Needs Improvement	Business Office	Partially Implemented	In addition to the Director or General Accountant review, the Executive Director for Business Services should review and sign off on the check register before the checks are mailed. This review was performed some months, but not on a consistent basis.
10	Expenditures	Reconciling items are not cleared timely – Needs Improvement	Business Office	Not Implemented	Each outstanding check should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in the Accounts Payable documented procedures.
12	Payroll Process	Processing of W-2 forms - Needs Major Improvement	Business Office	Not Implemented	Preparation, verification and distribution of all W-2 forms should be performed by a non-Payroll employee.
15	Payroll Process	Review of Payroll changes – Unsatisfactory	Business Office	Not Implemented	Payroll should create a monthly log of payroll changes and document the Superintendent or designee approval. HR should update the pay structures in the Pay Structure & Comp Handbook and align actual pay rates as authorized by

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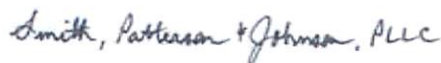
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ID	Audit	Finding	Owner	Status	Remaining Action Needed
					the Superintendent.
16	Payroll Process	Terminations processed timely – Needs Major Improvement	Business Office	Not Implemented	Terminated employee CIP forms should be processed immediately upon notification of the employee's separation from the District. The Superintendent or designee should approve the termination forms as a part of the process
23	Payroll Process	Payment for absences - Needs Major Improvement	Business Office	Not Implemented	Payments for time not worked should only be made consistent with District policies.
24	Payroll Process	Routine comparisons and reviews - Unsatisfactory	Business Office	Not Implemented	Director of Budget should review and approve completed payroll registers and payroll expenditures on a monthly basis.
27	Payroll Process	Segregation of Duties - Needs Major Improvement	Business Office	Not Implemented	Employee checks should be sealed in envelopes for distribution, signed out to Principals and Department Heads by a designated individual independent of Payroll, and undistributed checks returned to the designated individual to mail out to employees
28	Payroll Process	Pay rates that exceed approved pay scales – Unsatisfactory	Business Office	Not Implemented	A Pay Structure and Compensation Handbook should be corrected and maintained/updated.
29	Payroll Process	General Ledger Account Reconciliations – Unsatisfactory	Business Office	Not Implemented	Formal account reconciliations for all payroll related accounts should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.
30	Payroll Process	Bank Reconciliations – Needs Major Improvement	Business Office	Partially Implemented	Each outstanding check should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in Payroll documented procedures.
32	Payroll Process	Payroll procedures - Needs Major Improvement	Business Office	Partially Implemented	A formal vacation policy should be documented and updated when necessary. The procedures related to the investigation of returned W-2's should be documented.

ID	Audit	Finding	Owner	Status	Remaining Action Needed
34	Bond	Pay Application Checklist – Needs Improvement	Business Office	Not Implemented	Partially implemented for 2010 Bond Program. For future bond programs, recommend consistently requiring the use of a checklist to ensure all review points are performed and to document the quality of the pay application review by the District.
35	Bond	Bond Program Account Reconciliations and Segregation of Duties – Unsatisfactory	Business Office	Not Implemented	All bond program fund 699 GL accounts should be reconciled on a monthly basis. The reconciliations should be evidenced as reviewed and approved by someone other than preparer.
38	Bond	Bond Program Spend Down – Needs Major Improvement	Business Office	Not Implemented	The District should implement a documented process of monitoring bond proceed expenditures against the tax compliance document as required by the Board approved Tax Compliance Policies for Governmental Bonds.
42	Bond	Bond program procedures - Needs Improvement	Business Office	Not Implemented	Formal bond program policies and procedures should be documented and updated when necessary.
43	Student Activity Fund	Activity Fund receipts - Unsatisfactory	Business Office	Partially Implemented	Monthly Quicken transaction reports for each sub-account should be distributed to the appropriate faculty sponsor for review and approval to ensure the accuracy of recorded transactions and account balance. Approval should be returned to the bookkeeper.
48	Student Activity Fund	Event change funds – Needs Improvement	Business Office	Not Implemented	The Business Office should communicate the proper method for establishing event change funds.
51	Student Activity Fund	PO requirement – Needs Improvement	Business Office	Not Implemented	The purchase order threshold amount (\$150) should be evaluated by the Business Office and communicated to the campus Principals and bookkeepers.

ID	Audit	Finding	Owner	Status	Remaining Action Needed
54	Student Activity Fund	Segregation of duties – Unsatisfactory	Business Office	Not Implemented	Assign bank account reconciliation responsibility to an individual who is independent of processing/recording transactions and safeguarding Activity Fund assets.
55	Student Activity Fund	Bank Reconciliations– Unsatisfactory	Business Office	Partially Implemented	Reconciliations for the Campus and Student Activity Funds need to be performed timely (i.e. within 30 days of month end). Additionally, outstanding checks should be researched and assessed whether amounts should be reported as unclaimed property.
56	Student Activity Fund	Periodic Audits – Unsatisfactory	Business Office	Not Implemented	Develop and implement a formal audit schedule of the student and campus activity funds.
57	Student Activity Fund	Maintenance of positive account balances – Needs Major Improvement	Business Office	Partially Implemented	Continue developing and posting training videos for campus principals and secretaries/bookkeepers to ensure appropriate reconciliation and monthly financial close procedures are followed.
60	Student Activity Fund	Annual Journal Entry amount – Unsatisfactory	Business Office	Partially Implemented	Reference Record Number 55 for monthly and year-end bank reconciliations which provides control over the completeness of Activity Fund annual journal entries.
61	Student Activity Fund	Annual Journal Entry Coding – Needs Major Improvement	Business Office	Partially Implemented	Finalize ongoing work with Kev Group and implementation of new activity fund processes and system.
64	Athletic Center	Cash Receipts – Needs Major Improvement	Business Office	Partially Implemented	Routine training should be provided to all individuals working athletic events. Currently, only new workers have training.

Sincerely,



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cc: Board of Trustees
Pablo Escamilla, General Counsel
Dr. Abelardo Saavedra, Superintendent

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Attachment A

ID:	1	Audit:	Expenditures	Report Date:	6/12/2012	Owner:	Business Office
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Finding: Segregation of Duties – Unsatisfactory

Detailed Finding:

As of the time audited, 23 users (16 active and 7 inactive) had access to set up vendors and enter invoices in the system and five users (all active) had access to set up vendors, enter invoices and print checks for payment. Administration of user access was not segregated. Administration of user access was assigned to the Purchasing Director and Director of Budget and Fiscal Services who are users of the system, rather than to an IT administrator.

Recommendations:

Job functions should be defined and segregation of duties should be implemented. This analysis should result in assigning user access accordingly. Segregation of duties reduces the risk of fraud/inappropriate transactions and the number of manual controls to mitigate conflicts. An IT administrator should be responsible for the administration of user access. This function should be removed from the Purchasing Director and Director of Budget and Fiscal Services as they are users of the system.

Management Response:

An analysis will be conducted to determine potential future system enhancements for limiting user access to specific job functions. In order to comply with the recommendations of the auditors, we suggest the formation of a committee comprised of the current security administrators for the Business Office and Pupil Services, IT staff, and ESC 20 staff to develop a functional and coordinated process. In discussion with Pupil Services, we request that this be completed during the summer months since it requires extensive changes and development of procedures. Also, changes in staff that typically happens at the end of a school year would significantly affect the process. The Pupil Services department also has a similar process for assigning user ids and system access and system users assign those rights. In addition, the security administrators not only set up users, but also assign access to screens and specific account codes (campuses). Since those staff members are currently users, they have an understanding as to what accesses are appropriate and how those functions work. IT staff may need additional training to fulfill that role. Upon further investigation of the 23 users identified, 1 user ID was access for ESC20 Business Support services to enable them to assist with or troubleshoot transactions. Of the remaining 22 users, 11 were inactive and 1 additional became inactive prior to the audit. Inactive user ids while remaining within system listing are deactivated from system use and corresponding passwords are deleted. The system requires a valid active user id and valid password to gain system access. The remaining users were all employees of the Business Office except 2. One was the former Purchasing Director who was responsible for originally setting up the system security and those accesses have been removed from the system. One was a secretary and the user ID became inactive prior to the audit. The system was originally set up with Business Office staff to have the same access to functions that occur in that department. In addition, the system does not allow for view only access so staff has access to screens to be able to research and look up data that pertain to their job function. In addition, since the Purchasing Department has only one clerical staff member, the Accounts Payable staff has been cross-trained to be able to maintain operations in the event of an absence so they do have access to vendor screens. The vendor screen also has the remittance address and without screen access, they cannot verify check addresses. The payroll staff enters vendors for deduction payments. Payroll staff runs deduction checks as well. Accounts payable staff runs (in-house) individual payments on an emergency basis; although the function was not operational at the time of the audit. Of the five users with full access, two were ESC 20 logins and the remaining three were the General Accountant, Director of Budget and Executive Director for Business Services. Since those roles require oversight of all the Business Office functions, as well as training of staff and troubleshooting of processes, they were given all the available screens. While it is true, that individual employees could enter transactions that are not in their job function, it is not common practice or allowable without approval. We believe that other functions in the internal process such as bank reconciliations, financial reporting, and regular reviews would alert supervisors to inappropriate actions. Since all Principals and directors have web access at any time to their budget accounts, there is another layer of oversight where inappropriate charges could be detected. These processes are also reviewed annually by our external auditor. ESC 20 also has an outside firm evaluate the software system for internal control processes every three years. Those reports are provided to us and reviewed by our external auditor.

Target Date:	8/1/2012	Status:	Not Implemented
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Validation Procedures:

Inquire as to the process of assigning user access and whether an IT Administrator is responsible for the administration of user access.

Validation Results:

The administration of user access has not been transitioned to an IT Administrator.

Remaining Action Needed By Management:

An IT administrator should be responsible for the administration of user access process.

ID: 2	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
Finding: System User Access – Unsatisfactory			

Detailed Finding:

The following observations were noted regarding system access: 26 non-purchasing users have access to vendor maintenance (consisting of 14 active user IDs, 3 inactive user IDs, 5 unassigned user IDs and 4 user IDs assigned to unknown users.) 22 non-AP users have access to enter invoices (consisting of 11 active user IDs, 2 inactive user IDs, 5 unassigned user IDs and 4 user IDs assigned to unknown users.) Four user IDs with unknown assigned users (two of whom can print checks) There is no periodic review of users with access by management Controls around changes to system user IDs (numeric) were not adequate; system user IDs for persons terminated were recycled for new users thus losing an audit trail for authorizations in the system. Changes to system IDs were not consistently documented on a timely basis.

Recommendations:

System clean up of user access is needed to reduce the risk of fraud/inappropriate transactions. Employees whose job functions do not require access should have access removed. User IDs with unknown assigned users should have user access terminated immediately. Periodic reviews (at least quarterly) by management of user access by function should be performed and documented to further reduce the risk of inappropriate transactions. In conjunction with giving an IT Administrator responsibility for user access: Management should evaluate the current practice of assigning and recycling user IDs including assignment of unique alpha/numeric IDs Management should evaluate system capabilities to generate a monthly change report of system user IDs to review Management should formalize the set up of new user IDs and changes to user IDs (e.g. documented form with approvals).

Management Response:

Several of the users identified were inactive. The unknown users identified are logins for ESC20 as described above. The system currently does not have a report available to review changes in user access. User IDs were assigned consistent with roles in the District rather than as individuals. The committee would need input from Region 20 to see if the suggested format for user IDs is compliant with system requirements. Also, a cost would need to be obtained for additional IDs and report development. The committee could include this in the development of a new process.

Target Date: 8/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the review of user access and system clean up.

Validation Results:

Review of user access and system clean up has been performed (examples of work performed was provided to auditor). Additionally, user IDs are no longer reused per auditor inquiry.

Remaining Action Needed By Management:

Not Applicable

ID: 3	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
Finding: New Vendor Process and Maintenance of Vendor System and Files – Unsatisfactory			

Detailed Finding:

Review and approval of new vendors was not in place prior to system set up. Purchasing implemented a new procedure to review, approve and obtain required documentation from new vendors prior to set-up during the audit.

Master vendor file information was not complete - 6 out of 36 (16%) vendor files were missing Form W-9s. This is a non compliance issue for IRS Form 1099 reporting requirements.

10 out of 36 (28%) vendor files were missing vendor applications.

15 out of 36 (42%) vendor files were missing Conflict of Interest Questionnaires (CIQ).

There was no periodic review of vendor inactivity There was no periodic review of vendor changes Purchasing & Warehouse Guidelines do not formally address vendor file information noted above.

Recommendations:

A formalized review and approval process for new vendors should be in place to reduce the risk of fraudulent activity, inappropriate transactions and non compliance with Form 1099 reporting requirements. This review should include verifying all required file documentation is obtained. This review should also include validating the Taxpayer Identification Number (TIN) provided on Form W-9s using the IRS Matching Program. The process should define any acceptable exceptions to the documents required for new vendor set up. For example, certain vendors such as restaurants may not require a Conflict of Interest Questionnaire.

A complete review of existing vendor files should be performed to ensure completeness of file documentation. Management should periodically review the vendor listing for inactivity and remove vendors who have not been used after a specified period of time. Management should perform a monthly review of vendor changes to ensure the validity of the changes and reduce the risk of fraudulent activity.

Purchasing & Warehouse Guidelines should document and include new vendor approval requirements; vendor set up requirements, including the receipt of a W-9 form before vendor set-up can be completed; and periodic vendor reviews.

Management Response:

The Purchasing Office has implemented a procedure to collect vendor information and document the vendor approval by the Purchasing Director. Until the completed vendor packet is received including vendor application, W-9, CIQ, and sole source (if applicable) a potential vendor will not be set up on the iTTCS system. Of the 6 vendors who were missing a W-9, none of the vendors exceeded the 1099 threshold. Also, 5 of the 6 vendors who were missing a W-9 were not 1099 eligible. The one vendor that was eligible for 1099 had provided the business office their taxpayer ID in a different format.

Regarding missing vendor applications, the purchasing office documents when a vendor is added and when the vendor application is mailed to the vendor. Of the 10 vendors whose vendor application was missing, the purchasing office has documentation on all 10 vendors regarding when the vendor application was mailed out, and or partial receipt of the vendor application (W-9). With the new procedure in place mentioned above, a potential vendor will not be set up for approval unless the completed vendor application is received and on file.

Regarding the missing Conflict of Questionnaires (CIQ) forms from vendors, the district is solely the records administrator for this process. Chapter 176 of Texas Local Government Code requires that all "local government officers" and any vendor wishing to do business with a local government entity complete the conflict of interest questionnaire. The district has the responsibility to require persons to comply; which we do by having it as part of our vendor application. The Texas Attorney Opinion No. GA-0446 on page 13 states with regard to LOC. GOV'T CODE 176, "Because the statute does not impose it, we do not believe the entity has an affirmative duty to independently require vendors to comply with chapter 176 prior to entering into a contract with the local government entity." Therefore the district is not required to cease doing business with an entity who has not submitted a CIQ form.

The iTTCS system does have reporting capability to see when a vendor was last used. The purchasing office will review this report annually and deactivate any vendor who does not have any activity in the form of purchases within two years. The iTTCS

system does not have a reporting tool to review vendor changes. Changes to vendor information can be done by anyone having access to the vendor maintenance screen. The Purchasing & Warehouse Guidelines manual is updated annually and presented to the administrators, Principals, and secretaries at the beginning of the school year. The purchasing office will implement any changes with regards to vendor setup.

Target Date: 8/1/2012

Status: Partially Implemented

Validation Procedures:

Inquire as to whether a formalized review and approval process for new vendors including verification of required file documentation is performed. Review of manual for documentation of new procedures. Inquire as to status of periodic review of existing vendor files for completeness of file documentation, review and purging of inactive vendors, and review of changes to vendor file information.

Validation Results:

Purchasing has implemented revised procedures to collect vendor information and document vendor approval by the Purchasing Director. Until a completed vendor packet is received including vendor application, W-9 form, conflict of interest questionnaire, and sole source (if applicable), a potential vendor is not set up in the iTTCS system. The Purchasing Director provided the auditor an example of the vendor approval packet. The Purchasing & Warehouse Guidelines manual was updated for revised procedures and provided to the auditor. Periodic review of existing vendor files for completeness of file documentation, review and purging of inactive vendors, and review of changes to vendor file information have not been performed.

Remaining Action Needed By Management:

Periodic review of existing vendor files for completeness of file documentation, review and purging of inactive vendors, and review of changes to vendor file information needs to be performed.

ID: 4	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: System allows payment of invoices in excess of purchase order amount – Unsatisfactory

Detailed Finding:

The system allows a user to pay an invoice which is greater than the PO as long as there is a balance remaining on the PO. Two of 44 (5%) invoices tested exceeded the PO amount. With the data analytics testing, there were also occurrences of invoices paid exceeding the PO amount. There was not a mitigating control for review and approval when multiple invoices are processed against a single PO.

Recommendations:

To mitigate the risk of unauthorized expenditures, the system should be updated to prevent invoice payments in excess of approved PO amount or a mitigating control should be implemented for review and approval of such expenditures.

Management Response:

In further discussion with the auditors, the concern is specifically with transactions related to an open purchase order where there are multiple payments against one purchase order and each transaction is reviewed separately without seeing the total payments. We agreed that having the accounts payable clerk include a screen shot that includes the total purchase order amount, amounts paid, and amount remaining as part of the payment documentation would be a sufficient control to address this issue. This action will be implemented immediately. The system capabilities would have to be addressed by Region 20. The ability to pay an invoice that exceeds the purchase amount is there to allow for payment of additional charges such as shipping costs, without requiring an additional purchase order and delaying invoice payment. The District does have a control in place because each check along with supporting documents is approved prior to release by the Director of Budget or the General Accountant. Of the two exceptions noted, the first was for a price change on the individual item. Approval for the price change was not noted on the receiving copy. The second item was an open purchase order for a consultant. The purchase order was for \$9,000 and the total payments for the purchase order were \$5,925. However, each campus was allocated \$600 and one payment was charged to the wrong campus causing that campus to be overcharged and the other campus undercharged. Further procedures regarding open purchase orders as described in the above paragraph would correct this issue.

Target Date: 5/1/2012	Status: Implemented
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Validation Procedures:

Inquire whether mitigating control was implemented regarding invoice payments in excess of approved PO amount.

Validation Results:

The Business Office staff implemented procedure changes which require the review and authorization of two Business Office personnel (Director of Purchasing, Director of Budget & Fiscal Services, or Executive Director for Business Services) prior to allowing a payment of \$100 more than the purchase order.

Remaining Action Needed By Management:

Not Applicable

ID: 5	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: Competitive Pricing – Needs Major Improvement

Detailed Finding:

The Purchasing and Warehouse Guidelines as well as the District Policy (including TEA guidelines) require all expenditures greater than \$50,000 to complete a competitive pricing mechanism. Of the 36 Purchase Orders tested, six required competitive bidding. One exception was noted of the six (16%) tested and it was for a student insurance renewal contract for \$76,867. The district does not have a current competitive bid in place for the student athletic insurance but did bid the student athletic insurance several years ago through RFP #06-67 which was awarded on July 19, 2006. The Purchasing and Warehouse Guidelines requires all expenditures between \$5,000 and \$49,999 to obtain three quotes unless the vendor is exempt (i.e. coop professional services, etc.) We tested 25 Purchase Orders between \$5,000 and \$49,999. One of the purchase orders (Reliance A/C contract renewal for 2011/2012 totaling \$5,500) tested did not have three quotes as required. The policy does not address whether an annual competitive pricing mechanism for renewals of contracts is required. Per TEA Guidelines, professional services are exempt from competitive bidding. In practice, special education contracts and technology services are considered professional services. However, these are not defined as professional services in the Purchasing and Warehouse Guidelines. A mitigating control for compliance with the competitive pricing mechanism is the Purchasing Director's periodic review of vendors with expenditures over \$10,000. Evidence of this periodic review was not retained and could not be tested as a result.

Recommendations:

All purchases as defined by District policy and the Purchasing and Warehouse Guidelines (including renewals) should follow the competitive pricing mechanism process. Clarification of professional services noting Special Education contracts and technology services is recommended in the District Policies and Purchasing and Warehouse Guidelines. In addition, clarification of renewals for contracts is recommended. Evidence of the Purchasing Director's review of expenditures greater than \$10,000 should be retained and results of the review provided to the Executive Director for Business Services. A monthly review is recommended.

Management Response:

As noted with regards to the one purchase order without 3 quotes, Texas Education Code allows for any service or product to be procured for under \$50,000 without a competitive mechanism in place. Although the district purchasing manual indicates that three quotes are required for any purchase over \$5000 and less than \$49,999, this is an internal district manual which provides guidelines and fosters further due diligence from school administrators and staff. However, going forward, competitive bids will be obtained as outlined in the Purchasing and Warehouse Guidelines. The other purchase order noted without three quotes (PO# 201019 – Reliance A/C) did not require quotes because pricing was referenced to Bid #09-27 Refrigeration and Kitchen Equipment Repair that was Board Approved on August 17, 2011. District Policies and Purchasing and Warehouse Guidelines will be updated noting Special Education contracts and technology services as part of Professional Services as well as clarification of the competitive pricing mechanism for contract renewals. Evidence of the Purchasing Director's monthly review of expenditures over \$10,000 will be retained and provided to the Executive Director.

Target Date: 7/1/2012	Status: Not Implemented
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Validation Procedures:

Inquire whether Purchasing and Warehouse Guidelines have recommended updates. Inquire whether Purchasing Director's monthly review of expenditures over \$10,000 is performed.

Validation Results:

Purchasing and Warehouse Guidelines have not been updated to note Special Education contracts and technology services as part of Professional Services. Evidence of Purchasing Director's monthly review of expenditures over \$10,000 is not currently retained.

Remaining Action Needed By Management:

Update the Purchasing & Warehouse Guidelines to note Special Education contracts and technology services as part of Professional Services and clarify renewal process. Retain evidence of Purchasing Director's monthly review of expenditures over \$10,000.

ID: 6	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: Board Approval on Expenditures over \$10,000 - Needs Major Improvement

Detailed Finding:

Three out of 25 (12%) contracts tested over \$10,000 were for renewals totaling \$130,685 (Xerox, Protection One Alarm and Worldwide Pest Control) that were not taken to the Board for approval. In addition, the 06/16/10 approved Board meeting minutes could not be located. Thus, testing for five Purchase Orders totaling \$138,000 (Leal Education Associate, JLR Consulting, Jo Mascorro, Carolyn A Hardin Consulting and Education Diverse Learning) could not be performed.

Recommendations:

All expenditures, including contract renewals, over \$10,000 should be presented to the Board of Trustees for approval. In the event that a contract renews and/or an approved amount increases, the change to expenditure should be presented to the Board for approval.

Management Response:

The Purchasing Office will develop a written report that can be presented annually to the Board of Trustees of all district service and equipment contracts. This will allow the Board of Trustees to be informed of all current and long term contracts. Although testing for the five purchase orders could not be verified with Board Meeting minutes dated 6/16/2010, the Board agenda does state that all five vendors were presented to the Board on said date. The Business Office does not transcribe Board Meeting minutes. The services provided by Xerox (copiers) are procured using 48 to 60 individual month leases. All purchases for copier equipment are done using the state's TPASS contract or TCPN cooperative. Protection One Alarm does not require a competitive bid because the total amount spent on the service does not exceed \$50,000 (\$26,498.17 for 2010-2011). Each facility has a separate contract based on the installation date and when the facility came into service. Worldwide Pest Control has two contracts with the district which have separate contract dates. One contract covers facilities and schools; the other contract covers the cafeterias exclusively because of the document requirements. The District is a rider on the Northside ISD competitive bid #2009-140 because of the negotiating power.

Target Date: 8/1/2012	Status: Not Implemented
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Validation Procedures:

Inquire whether annual written report are presented to the Board of Trustees of all district service and equipment contracts. Regarding contract renewals, obtain the presentation of all contract renewals for the Board of Trustees' review.

Validation Results:

These reports were provided to the Superintendent in May 2013; however, they were never presented to the Board of Trustees due to the departure of the former Superintendent. Auditor was provided electronic file of reports presented.

Remaining Action Needed By Management:

All expenditures over \$10,000 should be presented to the Board of Trustees for approval. In the event that a contract renews or an approved amount increases, the change to expenditure should be presented to the Board for approval.

ID: 7	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: Accounts Payable Reconciliation - Needs Major Improvement

Detailed Finding:

Formal Accounts Payable Reconciliations (account 2011.02) are not performed on a monthly basis. Management represented that the activity in the account typically clears monthly given that check runs/disbursements are processed weekly including at month end. However, year end 8/31/2011 accrual account payable balances of \$79,800 in account 2011.02 for funds 199 and 283 were not cleared as of audit field work. In addition, the volume of activity in the account is substantial enough to warrant formal monthly reconciliation.

Recommendations:

Formal account payable reconciliations should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.

Management Response:

Accounts payable accrual is a manual process that typically is posted at fiscal year end. Since much of the work to prepare for the financial statement audit is done after year end, opening balances are not immediately available for reconciliation and there is a time lag between finalizing those balances and posting clearing entries in the next year. Fund 283 was a stimulus fund that ended on 9/30/11 and the balance was an error relating to the grant end. Procedures are in place to monitor activity; however the cycle had not been completed at the time of the audit. Since the internal audit review, all corrections have been made and the accounts are reconciled. The Business Office will create a reconciliation report to be prepared as part of the closing process to formally document this procedure.

Target Date: 8/1/2012	Status: Partially Implemented
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Validation Procedures:

Inquire whether the monthly formal account payable reconciliation is performed.

Validation Results:

As part of the yearly audit, all corrections noted in the internal audit were made and the accounts were reconciled. However, the department has not performed formally monthly account reconciliations since the year end audit.

Remaining Action Needed By Management:

Formal account payable reconciliations should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.

ID: 8	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: Positive Pay Transmission Control - Needs Improvement

Detailed Finding:

SSAISD has positive pay set up with the bank and the bank does not pay a disbursement unless received via positive pay. The bank provides confirmation of positive pay file transmissions, but such confirmation does not include control totals (amount and/or transaction volume). In addition, files transmitted to the bank were not retained by SSAISD. Therefore, there was a lack of control to evidence completeness and accuracy. Accounts payable policies and procedures for positive pay were not formally documented.

Recommendations:

Performance of a positive pay control is recommended to reduce the risk of misappropriation of funds by validating the completeness and accuracy of disbursement transactions, as follows: Positive pay files transmitted by SSAISD to the bank should be retained. The following day, confirmation of positive pay transmissions, including control totals (amounts and volume), should be received from the bank and verified to the file sent. Any discrepancies should be timely investigated. As noted previously, Accounts Payable procedures should be documented. The procedures should include positive pay instructions and controls to ensure consistency and accuracy of the process.

Management Response:

After discussion with the auditor, the Business Office is maintaining an electronic copy of the positive pay submission. We also maintain a printed copy of the bank confirmation that shows a file name and the number of items submitted. There is no report currently available with control totals. The Business Office will update the Accounts Payable module to include procedures for positive pay. For part of the time covered during the audit, positive pay was performed through a job submission in the software and transmitted automatically to the bank. There was no confirmation available but staff did document that the procedure had been initiated in the files. Since October 2011, the file is submitted manually by staff. The bank has a confirmation available but it does not include control totals since positive pay is a verification of individual items. The bank does not verify totals and therefore does not include a total in the confirmation. As noted in the auditors' observation above, the bank is set to deny any check from clearing where there is no positive pay item to verify against. In all cases, if a file was not submitted, the checks would have been flagged as exceptions. Authorized staff (Executive Director of Business Services, General Accountant, and Director of Budget) has a window of time (approximately 6 hours) to approve or deny the exception. If no response is made, the bank by default action refuses payment of the check. There is minimal risk of checks not being verified if files are not submitted.

Target Date: 6/1/2012 **Status:** Partially Implemented

Validation Procedures:

Inquire as to positive pay procedures including retaining electronic positive pay files transmitted to the bank. Obtain the Account Payable procedures and review for inclusion of positive pay procedure instructions and controls.

Validation Results:

The Director for Budget & Fiscal Services runs a positive pay transmission report through Region 20 and maintains a copy of report as evidence of submission of positive pay file. The Account Payable procedures has not been updated for inclusion of positive pay procedure instructions and controls.

Remaining Action Needed By Management:

Accounts Payable procedures should be documented. The procedures should include positive pay instructions and controls to ensure consistency and accuracy of the process.

ID: 9	Audit: Expenditures	Report Date: 6/12/2012	Owner: Business Office
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Finding: Positive Pay Disbursement Controls - Needs Improvement

Detailed Finding:

The Director of Budget and Fiscal Services or the General Accountant reviews a check copy to the invoice before checks are transmitted for positive pay. Four out of 48 (8%) invoices sampled were not approved by the Director of Budget and Fiscal Services or General Accountant. A check register is not included in the individual check review to ensure completeness of review. Further, there is not an independent review of the check register before transmission for positive pay.

Recommendations:

Due to incomplete segregation of duties, it is recommended that in addition to the Director or General Accountant review, the Executive Director for Business Services review and sign off on the check register before the checks are mailed. The purpose of the Executive Director's review is to check for any unusual amounts or vendors and to spot check on a sample basis, comparing the check copies with invoice support.

Management Response:

The accounts payable checks are currently reviewed individually for accuracy in vendor, amount, coding, etc. by the General Accountant or Director of Budget. The General Accountant also reviewed and signed off on each check register before the positive pay submission but this was discontinued in February 2012 when the General Accountant departed. The Business Office generates approximately 150-200 checks weekly. Each check has multiple invoices that are reviewed as well. We agree that check registers be reviewed and signed by the Executive Director before checks are mailed as part of the review process. All documentation is available if any items warrant further review.

Target Date: 5/1/2012	Status: Partially Implemented
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Validation Procedures:

Inquire whether the Executive Director reviews and sign offs on the check register.

Validation Results:

Several months of the Executive Director's review of the check register was provided to the auditor. It was noted and confirmed that there were monthly gaps when the review was not performed.

Remaining Action Needed By Management:

In addition to the Director or General Accountant review, the Executive Director for Business Services should review and sign off on the check register before the checks are mailed. This review was performed some months, but not on a consistent basis.

ID:	10	Audit:	Expenditures	Report Date:	6/12/2012	Owner:	Business Office
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Finding:	Reconciling items are not cleared timely – Needs Improvement
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Detailed Finding:

Checks dating back to 2007 were noted during the bank reconciliation audit test for the Special Athletic account. Outstanding checks from 07-08, 08-09 and 09-10 school years totaled \$4,488. There was not a documented process in place for unclaimed property reporting, a state regulatory requirement.

Recommendations:

Each item should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in the Accounts Payable documented procedures.

Management Response:

The bank account in question is currently closed and outstanding checks cannot be cleared. The data was maintained in the Athletic office during the time the account was open. We will review each individual item for further action such as unclaimed property requirements, if needed. The accounts payable procedures will be updated to include procedures for unclaimed property.

Target Date:	8/1/2012	Status:	Not Implemented
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Validation Procedures:

Inquire as to the review and resolution of outstanding checks including further action in accordance with unclaimed property requirements.

Validation Results:

The Business Office is currently reviewing the outstanding checks on the bank statement and procedures related to the unclaimed property reporting process.

Remaining Action Needed By Management:

Each outstanding check should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in the Accounts Payable documented procedures.

ID:	11	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding:	Approval of new hires – Needs Major Improvement
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Detailed Finding:

Though new hire setup Change in Compensation (CIC) forms require approval by the Interim Superintendent and the HR Director, Payroll accepts and processes unapproved CIC forms received from HR. New hire documentation was not provided for one employee and audit tests could not be completed as a result. Of the 13 new hires tested, none were approved by the Interim Superintendent and four were not approved by the HR Director as required. In addition, payment to new hires occurred prior to the HR Director approval for 2 of 13 new hires tested.

Recommendations:

Payroll should ensure all required approvals are obtained prior to posting a new hire CIC form in the payroll system and disbursing wages.

Management Response:

It has never been the practice to have a required approval for all CIC's by the Superintendent. The HR Department submits a CIC form and a recommendation memo which is signed and approved by the HR Director.

Target Date:	12/1/2012	Status:	Implemented
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Validation Procedures:

Inquire as the approval process and the timeliness and properness of approvals.

Validation Results:

Per inquiry, the Payroll department coordinates with Human Resources to obtain the CIC forms and approvals prior to disbursing wages.

Remaining Action Needed By Management:

Not Applicable

ID:	12	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding:	Processing of W-2 forms - Needs Major Improvement
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Detailed Finding:

Preparation, verification and distribution of W-2 forms are not segregated from the Payroll department.

Recommendations:

Preparation, verification and distribution of W-2 forms should be performed by a non-Payroll employee. Segregation of duties for handling W-2 forms reduces the risk of potential invalid employees.
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Management Response:

David Landeros , Executive Director of Finance will appoint Jesse Martinez to verify processing of W-2's.

Target Date:	12/1/2012	Status:	Not Implemented
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Validation Procedures:

Inquire as to the segregation of duties in the preparation, verification, and distribution of W-2 forms.
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Validation Results:

The new procedures should include the Payroll Department preparing the W-2's and the General Accountant processing W-2's and overseeing the distribution of W-2's. However, during the 2013-2014 school year, the activities were not segregated. The General Accountant will process and distribute the W-2's in the next school year.

Remaining Action Needed By Management:

Preparation, verification and distribution of all W-2 forms should be performed by a non-Payroll employee.
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ID: 13	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Security of Confidential Information – Unsatisfactory

Detailed Finding:

Employee social security numbers were observed on timecards, athletic time reports, sick leave cards, Coca Cola Valued Youth Student tutor memos and templates used to log employee timecards. These payroll documents are stored temporarily in the payroll clerks' unsecured work area. There is a risk that confidential information could be obtained by an unauthorized individual. The payroll check registers and supporting reports are filed in the secured central Accounting file room accessible by non-Payroll employees. The reports contain detailed payroll information. Keys to Payroll's employee master file cabinets were hanging on the Payroll Supervisor's office wall and plainly visible. Though the office was generally locked when the Payroll Supervisor was away from her desk for an extended period of time, there was a risk of unauthorized access to the employee master files.

Recommendations:

Employee social security numbers should be removed from timecards, athletic time reports, sick leave cards, templates and all other payroll documentation when possible and replaced with the employee identification number. All payroll documentation that contains confidential information should be secured. The keys to Payroll's employee master file cabinets have been removed from the Payroll Supervisor's office wall and are no longer visible by visitors.

Management Response:

Timecards are turned in by the employees with social security numbers listed. Memos are turned in by Supervisors or Directors with social security numbers listed. We can request that all employees begin utilizing ID numbers on all timecards and memos. All payroll documentation is now kept on a secured network drive.

Target Date: 12/1/2012	Status: Implemented
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Validation Procedures:

Inquire as the use of confidential information on time cards, athletic time cards, sick leave time cards, and other payroll documentation.

Validation Results:

The Payroll Department no longer uses employee social security numbers but rather employee identification numbers on time cards and other payroll documentation. An example of a time card with the employee identification number was provided to the auditor. Additionally, all electronic payroll documentation is now stored on a secured network drive.

Remaining Action Needed By Management:

Not Applicable

ID: 14	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: System User Access – Unsatisfactory

Detailed Finding:

The following observations were noted regarding system access: Payroll users had access to the employee ID set up screen and were able to change employee status from inactive to active on screen WPN5010 without review or approval by HR. There is no periodic review of payroll system user access by management. The users assigned to eight user IDs were not known and the appropriateness of access could not be tested as a result. Two non-Payroll users had access to the Direct Deposit maintenance screen. 14 non-Payroll users had access to Payroll master file screens. 16 non-Payroll users had access to process payroll and print payroll checks. 18 non-HR employees had access to set up a new employee. 12 user IDs were unassigned at the time of the audit and the appropriateness of Payroll access may not be appropriate for the former employees' roles (Unassigned user IDs are active system IDs of former employees with reset passwords).

Recommendations:

System clean up of user access is needed to reduce the risk of fraud/inappropriate transactions. Employees whose job functions do not require access should have access removed. User IDs with unknown assigned users should have user access terminated immediately. Periodic reviews (at least quarterly) by management of user access by function should be performed and documented to further reduce the risk of inappropriate transactions.

Management Response:

A committee will be formed to review each user access. Each employee will only have access to their job function. Regarding 16 non- Payroll users and 18 non-HR employees, specific level and application user names and passwords with qualifiers are required to gain application access.

Target Date: 12/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the review of user access and system clean up.

Validation Results:

Review of user access and system clean up has been performed (examples of work performed was provided to auditor). Additionally, user IDs are no longer reused per auditor inquiry.

Remaining Action Needed By Management:

Not Applicable

ID: 15	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Review of Payroll changes – Unsatisfactory

Detailed Finding:

Internal controls are not in place to timely monitor, identify and approve or disapprove actual pay rates for employees that exceed the annual budget and/or published pay scales in the Pay Structure and Compensation Handbook. Data analytics testing revealed numerous employees whose actual pay rates exceeded the maximum rates indicated in the 2011-12 Pay Structure & Compensation Handbook. Management represented that the pay ranges/rates in the Handbook were incorrect and not updated. Analytics testing was not performed on Teacher compensation due to lack of data provided, specifically pay codes and years of experience. Results of the data analytics performed were provided to management for further investigation. Refer also to Objective 8, Observation 3 below. Though payroll clerks verify payroll changes for data entry error, there is not a periodic review of payroll changes entered in the system by someone other than the preparer to ensure all payroll changes are complete, accurate and authorized. Business Services Management is not required to approve payroll funding source changes for accurate general ledger account coding, which only require HR approval.

Recommendations:

Management should further investigate the variances of actual pay rates identified during the audit period that exceed maximum rates indicated in the 2011-12 Pay Structure & Compensation Handbook and determine a resolution plan. Management should also consider performing further analysis of Teacher pay rates to assess potential variances and resolution. A summary report of all payroll changes (e.g., pay rate changes, new hires, pay code changes due to transfers or promotions) entered in the system should be developed, reviewed and approved monthly by the Superintendent and/or designee(s) independent of the payroll function. Monthly and year-to-date reporting of actual versus budget compensation should be implemented and reviewed by the Superintendent and/or designee(s) to monitor and investigate unusual variances. The annual Handbook should be corrected and maintained/updated with alignment to the annual budget going forward. Finance should be required to approve payroll funding source changes to ensure the accuracy of payroll transaction GL account coding.

Management Response:

TASB has been hired to conduct a pay study. A Pay Structure and Compensation Handbook is in development. Payroll can create a monthly log of all payroll changes and have the Superintendent or designee approval.

Target Date: 12/31/2012 **Status:** Not Implemented

Validation Procedures:

Inquire at to whether the annual Pay Structure & Compensation Handbook has been corrected and maintained/updated with alignment to the annual budget.

Validation Results:

The Board of Trustees approved the TASB pay study and authorized the Superintendent to implement changes accordingly at the April 2014 Board meeting. Certain pages of the Pay Structure & Compensation Handbook should be updated each year. However, the pay structures have not been updated in a few years. HR has a clear plan to develop updates for the Superintendent's approval. Analysis has been completed to identify employees who fall outside the current handbook scales (exceed maximum pay rate) and, in most cases, adjustments to the pay scale will remediate the noted exceptions. In other cases, the employee may have changed roles and the new role is at a lower pay scale. In these cases, the employee will be given sufficient notice, as consulted with Legal, and afterwards the employee's pay rate will be reduced to the scale associated with their current position. The creation of a log of payroll changes for Superintendent approval is expected to be implemented in Spring 2014.

Remaining Action Needed By Management:

Payroll should create a monthly log of payroll changes and document the Superintendent or designee approval. HR should update the pay structures in the Pay Structure & Comp Handbook and align actual pay rates as authorized by the Superintendent.

ID:	16	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Terminations processed timely – Needs Major Improvement

Detailed Finding:

Employees are not terminated in the system timely. HR does not process terminations immediately but notifies Payroll by the subsequent payroll processing deadline. A Change in Position (CIP) termination form was observed for an employee with a termination date of 4/5/12 and submitted by HR on 4/19/12. Further data analytics revealed six of seven CIPs tested that were not completed timely (more than five days after termination date) and one instance of last payment made more than 15 days after the CIP date. Fields (e.g., termination date, rehire date) in the iTCCS system are not consistently used or used in the proper manner. Data analytics testing revealed that one employee was not terminated, but HR used the termination date field to capture promotion. Another employee was rehired but the rehire date was not captured in the system (thus, incorrectly indicating payments to a terminated employee). The inconsistent use of fields in the iTCCS system is not routinely detected in Payroll's review of the information entered by Human Resources. The risk financial impact of over-paying a terminated employee is mitigated for contract employees that earn compensation during the 10 month school year but are paid over 12 months (generally employees earn more than they have been paid during the school year) and for employees paid based on submitted timecards. In addition, the system user access administrator was not consistently notified of employee terminations on a timely basis. There is a risk of unauthorized system access by a terminated employee.

Recommendations:

Terminated employee CIP forms should be processed immediately upon notification of the employee's separation from the District. The system user access administrator should be notified of employee terminations and system access should be cancelled immediately.

Management Response:

Timely receipt of termination CIP forms from HR to Payroll will occur. The Payroll Dept. will coordinate with Supervisors, Directors and the H.R. department to have all terminations processed in a timely manner.

Target Date: 12/1/2012 **Status:** Not Implemented

Validation Procedures:

Inquire as the timeliness of processing CIP forms upon notification of the employee's separation.

Validation Results:

There have been no significant changes regarding the timeliness of the processing CIP forms.

Remaining Action Needed By Management:

Terminated employee CIP forms should be processed immediately upon notification of the employee's separation from the District. The Superintendent or designee should approve the termination forms as a part of the process

ID: 17	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Final termination checklist – Needs Major Improvement

Detailed Finding:

A termination checklist is not used in the payroll process to ensure all elements (state and local leave balances, vacation balances, tax withholding calculations, etc.) are included in the final paycheck calculation and benefit notifications have been completed.

Recommendations:

A termination checklist should be developed and implemented in the payroll process to ensure all elements are included in the final paycheck calculation and benefit notifications have been completed.

Management Response:

A termination checklist is in development by Payroll and will be utilized for final pay check processing.

Target Date: 11/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the use of a termination checklist in the payroll process.

Validation Results:

A termination checklist has been implemented to ensure all elements are included in the final paycheck calculation and benefit notifications are sent. The auditor was provided a copy of the termination checklist.

Remaining Action Needed By Management:

Not Applicable

ID: 18	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Final paycheck review- Needs Major Improvement
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Detailed Finding:

The review and approval of employee final paychecks is not performed. Though HR approves the system calculated remaining contract balance, Payroll adjusts the amount for accrued leave and vacation time to determine the final employee payment. The amount is not reviewed and approved by someone other than the preparer.

Recommendations:

Review and approval of employee final paychecks should be performed by someone other than the preparer to ensure accuracy of the final paycheck amount.

Management Response:

The Payroll Supervisor will sign-off on all final pay calculations.

Target Date: 11/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the review and approval process of employee final paychecks.

Validation Results:

The Payroll Supervisor reviews and signs off on the final paycheck calculations performed by the payroll bookkeepers. The auditor was provided an example of a review and sign-off of a final paycheck.

Remaining Action Needed By Management:

Not Applicable

ID: 19	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding:	Timeliness of involuntary termination final paychecks - Unsatisfactory
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Detailed Finding:

Final paychecks disbursed in the normal semi-monthly or bi-weekly payroll process may not meet the six day final paycheck state law for involuntary work separations (Texas Labor Code Section 61.014), resulting in regulatory non-compliance.

Recommendations:

Disbursement of final paychecks for involuntary work separations should be made in compliance with state requirements. Time requirements should be added to the termination checklist recommended.

Management Response:

Payroll will coordinate with the HR department to process terminations in a timely manner. Compliance with state law requirements will be coordinated with HR for timely notification of work separations.

Target Date: 12/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the timeliness of the disbursement of final paychecks for involuntary work separations in compliance with state requirements.

Validation Results:

The Payroll Department is coordinating with the Human Resources Department to ensure the timely receipt of documentation needed to process terminations on timely basis and to comply with state requirements pertaining to the processing of final paychecks.

Remaining Action Needed By Management:

Not Applicable

ID: 20	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Hours worked and overtime approval - Needs Major Improvement

Detailed Finding:

Timecards were not consistently approved. Six unapproved timecards were observed from a review of all timecards for one bi-weekly and one semi-monthly pay period. Overtime hours were not consistently approved by the Superintendent as required. Three of 30 overtime payments tested were not approved by the Superintendent. In addition, minor errors were identified in the calculation of overtime pay for 3 of the 30 overtime payments tested. The risk of error was considered high given the manual nature of the overtime calculations.

Recommendations:

Approvals for four of the six unapproved timecards were obtained subsequent to the audit and the remaining two timecards should be approved. Payroll should ensure all required approvals are obtained prior to processing payroll and overtime payments. The District should consider requiring overtime hours be pre-approved. Payroll should explore whether overtime payments can be systematically calculated using the Payroll module or at a minimum, use Excel to reduce the risk of inaccurate overtime payments.

Management Response:

Payroll will ensure that all overtime payments are approved by the Superintendent. All calculations will be systematically calculated and will utilize an excel spreadsheet to reduce inaccurate payments.

Target Date: 10/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the approval process and calculation of overtime payments.

Validation Results:

The Payroll Department now utilizes a pre-approval process whereby all overtime requests are pre-approved first by the Superintendent. Also, the overtime payments are now systemically calculated to reduce inaccurate overtime payments.

Remaining Action Needed By Management:

Not Applicable

ID:	21	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
Finding:	Accuracy of leave time – Needs Major Improvement						
Detailed Finding:							
Check totals of employee absences entered into the Payroll system are not verified to the absence report received from each campus/department. Though leave days taken are entered in the system and reported on employees paystubs, manual sick leave cards are used by Payroll to identify employees who have exceeded leave limits and payroll adjustments needed as a result.							
Recommendations:							
Payroll should eliminate the use of manual sick leave cards and rely on leave balances maintained in the payroll system as the sole record keeping method. It is recommended that system reports be developed for verification of absences entered in the system to the reports received from each campus/department.							
Management Response:							
Payroll is currently utilizing Region XX's leave accounting system. System reports will be created for verification of all absences.							
Target Date:	9/15/2012	Status:	Implemented				
Validation Procedures:				Validation Results:			
Inquire as to the current use of manual sick leave cards for reliance on identifying employees who have exceeded leave limits.				The Payroll Department now utilizes the Region 20 system to record sick leave absences electronically. The Payroll Department also utilizes reports produced by the system to verify absences entered into the system against reports received from each campus/department. Auditor observed sick leave absences recorded in the system.			
Remaining Action Needed By Management:							
Not Applicable							

ID: 22	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Accuracy of employee time worked - Unsatisfactory

Detailed Finding:

Gaps in the design of controls for recording time were noted: Time entered in the Payroll system is not verified by someone other than the preparer. One bi-weekly transmittal used to log receipt of required timecards was not located and could not be tested as a result. Employee work hours, tracked in the Kronos timekeeping system, are not interfaced to the Payroll system. Hours worked are manually entered and prone to data entry errors. Overtime hours are entered from memos rather than from timecards and overtime entered in the Payroll system is not verified by someone other than the preparer. Substitute employee pay is manually calculated (pen and paper) and is not reviewed by someone other than the preparer. However, payroll simulations are performed by the preparer to check for accuracy.

Recommendations:

Hours worked, overtime, and substitute pay entered in the Payroll system should be verified by someone other than the preparer. Payroll should assess whether employee hours worked, including overtime, from the Kronos timekeeping system could be interfaced to the Payroll system, eliminating the need for manual data entry and reduce the risk of errors. Payroll should explore whether substitute wages can be systematically calculated using the Payroll module or at a minimum, use Excel to reduce the risk of inaccurate substitute wages. All transmittals used to log receipt of required timecards should be retained in the Payroll records.

Management Response:

The leave accounting system sub module is currently utilized for entry of teacher absence and substitute transactions at the same time. Transactions are systematically calculated. Kronos will be utilized for entry of payroll data and all transmittals will be retained by the payroll department.

Target Date: 12/1/2012	Status: Implemented
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Validation Procedures:

Inquire as to the process of entering time into the Payroll system and verification of the time entered. Inquire as to the status of interface between the time keeping system and the payroll system. Inquire as to the status of systematically calculating substitute wages.

Validation Results:

The Payroll Supervisor verifies the calculations of the payroll bookkeepers for hours worked, overtime, and substitute pay entered into the system. Auditor recommended that she sign off on the verification. As of Fall 2013, the time keeping system now interfaces with the payroll system. The leave accounting system sub module is used for tracking teachers' absences and substitute activity simultaneously.

Remaining Action Needed By Management:

Not Applicable

ID:	23	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Payment for absences - Needs Major Improvement

Detailed Finding:

Payments for time not worked due to absences were made to one employee whose leave balances had been exhausted. Such payments were not in compliance with District policy (e.g., use of established sick leave pool), rather they were authorized by HR and the Superintendent to be recouped from subsequent payroll periods. In addition, it was represented by Payroll that an estimated \$1,330 was ultimately not recouped before the employee's termination from the District. Payroll indicated that General Counsel has been consulted regarding the unrecouped overpayment

Recommendations:

Payments for time not worked should only be made consistent with District policies. Use of an established sick leave pool in accordance with local policy should be considered the preferred method for compensating employees for extended leaves in order to avoid overpayments.

Management Response:

Payments for time worked will be more consistent with District policies. Currently, there is a sick pool in place, subject to sick leave pool qualifications. Employees must have 8 days of sick leave from previous school year.

Target Date: 11/1/2012 **Status:** Not Implemented

Validation Procedures:

Inquire as to the payments for time not worked due to absences whose leave balances had been exhausted.

Validation Results:

Progress had been made in discussing solutions to this problem; however, due to turnover in the Human Resources department, there have not been changes to the policy or process. Meeting are scheduled in Spring 2014 to address this audit finding.

Remaining Action Needed By Management:

Payments for time not worked should only be made consistent with District policies.

ID:	24	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Routine comparisons and reviews - Unsatisfactory

Detailed Finding:

TEA expected controls are not routinely performed before disbursements are made: Review and approval of completed payroll registers. Review of documents supporting employee benefit payments (such as accumulated vacation or sick leave). Review for reasonableness of comparisons (reconciliations) of gross pay of current to prior payrolls by a knowledgeable person not otherwise involved in payroll processing. Balancing the distribution of dollars and hours of gross pay with payroll registers and review by someone independent but knowledgeable of this area. Though actual payroll amounts are compared at a high level to the approved budget for purposes of ensuring adequate budget balances and requesting budget amendments, payroll expenditures are not compared to budget on a monthly basis for purposes of identifying potential payroll errors and overpayments.

Recommendations:

Routine comparisons and review of payroll data should be performed including the following: Review and approval of completed payroll registers by the Executive Director of Business Services. Review of documents supporting employee benefit payments (such as accumulated vacation or sick leave). Review for reasonableness of comparisons (reconciliations) of gross pay of current to prior payrolls by a knowledgeable person not otherwise involved in payroll processing. Balancing the distribution of dollars and hours of gross pay with payroll registers and review by someone independent but knowledgeable of this area. Payroll expenditures should be compared to budget on a monthly basis for purposes of identifying potential payroll errors and overpayments. Significant differences should be explained and the results reviewed by a knowledgeable person not otherwise involved in payroll processing

Management Response:

Director of Budget can review and approve completed payroll registers and payroll expenditures on a monthly basis.

Target Date: 11/1/2012 **Status:** Not Implemented

Validation Procedures:

Inquire as to the status of routine comparisons and review of payroll data recommended in the audit report.

Validation Results:

No review or approval of the payroll registers or payroll expenditures is performed on a monthly basis with the exception of review performed by the Payroll Supervisor.

Remaining Action Needed By Management:

Director of Budget should review and approve completed payroll registers and payroll expenditures on a monthly basis.

ID:	25	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
Finding:	Payroll adjustment approvals - Unsatisfactory						
Detailed Finding:							
In-house checks processed for payroll adjustments were not consistently approved by the Payroll Supervisor. Nine of the fifteen in-house payroll checks tested were not initialed by the Payroll Supervisor.							
Recommendations:							
All payroll adjustments disbursed through an in-house check should be approved by the Payroll Supervisor.							
Management Response:							
Payroll adjustments will be approved by Payroll Supv. Approval was on actual check not on check copy.							
Target Date:	9/1/2012	Status:	Implemented				
Validation Procedures:				Validation Results:			
Inquire as to whether payroll adjustments disbursed through an in-house check are approved by the Payroll Supervisor.				Per inquiry, the Payroll Supervisors approves payroll adjustments disbursed through an in-house check and sign-off on both the original check and copy of check. An example was provided to the auditor.			
Remaining Action Needed By Management:							
Not Applicable							

ID:	26	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
Finding:	Direct Deposit transmittal - Needs Improvement						
Detailed Finding:	<p>Dual approval is not required for direct deposit transmittal.</p> <p>One of five FY 2012 direct deposit transmittals tested did not contain the direct deposit record count and amount and two off five FY 2011 direct deposit reports were not located and could not be tested as a result.</p>						
Recommendations:	<p>Dual approval should be required for direct deposit transmittals. All direct deposit transmittal counts and amounts should be retained to evidence payroll disbursement completeness and accuracy.</p>						
Management Response:	<p>Dual approval should be required for direct deposit transmittals. All direct deposit transmittal counts and amounts should be retained to evidence payroll disbursement completeness and accuracy.</p>						
Target Date:	11/1/2012	Status:	Implemented				
Validation Procedures:	<p>Inquire as the requirement of dual approval of direct deposit transmittals and whether direct deposit transmittal counts and amounts are retained to evidence payroll disbursement completeness and accuracy.</p>			Validation Results:	<p>Per inquiry, direct deposit transmittals now have dual approval and transmittals are retained for verification. An example was provided to the auditor.</p>		
Remaining Action Needed By Management:	Not Applicable						

ID: 27	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Segregation of Duties - Needs Major Improvement

Detailed Finding:

Lack of segregation of duties exist in the handling of payroll checks. Payroll sends payroll checks to campuses and department heads for distribution to employees. Unclaimed pay envelopes are returned to Payroll for handling.

Recommendations:

Distribution of payroll checks and control of unclaimed payroll checks should be managed by individual's independent of Payroll, potentially by Business Services.

Management Response:

Paychecks are sent to each campus in individual envelopes for each employee. Principals are currently picking up and signing for payroll packets. Undistributed checks are returned to Payroll for mail out.

Target Date: 9/1/2012	Status: Not Implemented
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Validation Procedures:

Inquire as to the process of distributing payroll checks and controls of unclaimed checks including segregation of duties related to this process.

Validation Results:

The Payroll Department currently places employee checks into sealed individual envelopes for distribution. Campus Principals and department heads currently pick up and sign for payroll packets. Undistributed checks are returned to the Payroll Department for mail out to employees.

Remaining Action Needed By Management:

Employee checks should be sealed in envelopes for distribution, signed out to Principals and Department Heads by a designated individual independent of Payroll, and undistributed checks returned to the designated individual to mail out to employees

ID: 28	Audit: Payroll Process	Report Date: 8/15/2012	Owner: Business Office
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Finding: Pay rates that exceed approved pay scales – Unsatisfactory

Detailed Finding:

Internal controls are not in place to timely monitor, identify and approve or disapprove actual pay rates for employees that exceed the annual budget and/or published pay scales in the Pay Structure and Compensation Handbook. Data analytics testing revealed numerous employees (Administrative/Professional, Clerical/Technical and Manual Trade) whose actual pay rates exceeded the maximum rates indicated in the 2011-2012 Pay Structure and Compensation Handbook (the Handbook). Management represented that the pay ranges/rates in the Handbook were incorrect and not updated. Analytics testing was not performed on Teacher compensation due to lack of data provided, specifically pay codes and years of experience. Results of the data analytics performed were provided to management for further investigation.

Recommendations:

Management should further investigate the variances of actual pay rates identified during the audit period that exceed maximum rates indicated in the 2011-2012 Pay Structure and Compensation Handbook and determine a resolution plan. Management should also consider performing further analysis of Teacher pay rates to assess potential variances and resolution.

Management Response:

TASB has been hired to conduct a pay study. A Pay Structure and Compensation Handbook is in development.

Target Date: 12/31/2012	Status: Not Implemented
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Validation Procedures:

Inquire as the status of TASB pay study and related changes, if any, and the status of a pay structure and compensation handbook.

Validation Results:

The Board of Trustees did not approve the TASB pay study and the pay structure and compensation handbook has not been finalized.

Remaining Action Needed By Management:

A Pay Structure and Compensation Handbook should be corrected and maintained/updated.

ID:	29	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: General Ledger Account Reconciliations – Unsatisfactory

Detailed Finding:

With exception of the bank account, formal account reconciliations are not performed monthly for all payroll balance sheet accounts (net pay, accruals, deductions, etc). Though benefit provider invoices are reconciled to the payroll records to ensure accuracy of employee deductions and invoiced amounts, formal account reconciliations of payroll deduction liability accounts are not performed to ensure all identified differences are researched and corrective action is taken. The “Due to / due from funds” accounts are not reconciled monthly but are reconciled on an annual basis. The frequency of the control was not considered timely to correct potential payroll errors.

Recommendations:

Formal account reconciliations for all payroll related accounts should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.

Management Response:

Formal account reconciliations for payroll related accounts will be performed on a monthly basis to reduce the risk of inaccurate financial reporting by the Director of Budget

Target Date: 12/1/2012 **Status:** Not Implemented

Validation Procedures:

Inquire as to the status of formal account reconciliations for payroll related accounts on a monthly basis.

Validation Results:

A reconciliation was performed as part of the year-end audit; however, monthly reconciliations are not currently performed.

Remaining Action Needed By Management:

Formal account reconciliations for all payroll related accounts should be performed on a monthly basis to reduce the risk of inaccurate financial reporting.

ID:	30	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Bank Reconciliations – Needs Major Improvement

Detailed Finding:

One of six bank reconciliations tested was not approved by the Director of Budget and Fiscal Services. A new Payroll bookkeeper was unaware that the reconciliations required approval by the Director of Budget and Fiscal Services. As a result payroll bank reconciliations were not approved since responsibility transferred effective December 2011. Aged outstanding checks, dating back to 2006, were not cleared and reported as unclaimed property. Checks greater than 180 days outstanding averaged \$26,014 for the six months tested. There was not a documented process in place for unclaimed property reporting, a state regulatory requirement.

Recommendations:

Each monthly payroll bank account reconciliation should be approved. Checklists and procedures should be developed and documented to ensure steps are consistently performed, especially when responsibilities are transferred. Aged outstanding checks should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in the Payroll documented procedures.

Management Response:

Director of Budget and Fiscal Services will approve all bank account reconciliations. Aged and outstanding checks will be sent to the state for unclaimed property.

Target Date: 12/31/2012 **Status:** Partially Implemented

Validation Procedures:

Inquire as to the status of review and approval of payroll bank account reconciliations by the Director for Budget & Fiscal Services. Review example of a recent account reconciliation. Inquire as to the review and resolution of outstanding checks including further action in accordance with unclaimed property requirements.

Validation Results:

Per inquiry, the payroll bank account reconciliations are reviewed and approved. Reviewed March 2014 account reconciliation and verified it had been approved by the Director of Budget & Fiscal Services. The review and resolution of outstanding checks, including further action in accordance with unclaimed property requirements was in progress but had not been implemented. Refer to Record Number 10 for similar finding from the Expenditure audit.

Remaining Action Needed By Management:

Each outstanding check should be researched and assessed whether amounts should be reported and remitted as unclaimed property. Unclaimed property reporting process should be defined in Payroll documented procedures.

ID:	31	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Control over Payroll issues – Needs Improvement

Detailed Finding:

Payroll issues, such as errors in calculated pay, deductions and hours worked, are not documented on a log and reviewed by the Payroll Supervisor to ensure the timely resolution of issues. Per the Payroll Supervisor, payroll issues are generally submitted to the Payroll Supervisor and are investigated and resolved within a short period of time.

Recommendations:

Payroll issues should be documented on a log and reviewed by the Payroll Supervisor to ensure payroll issues are resolved timely.

Management Response:

Payroll issues will be documented on a log and reviewed by the Payroll Supv. to ensure issues are resolved timely.

Target Date:	12/1/2012	Status:	Implemented
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Validation Procedures:

Inquire as to the status of creating a log to document payroll issues.

Validation Results:

As of January 2014, payroll issues are documented on a log and reviewed by the Payroll Supervisor. An example was provided to the auditor.

Remaining Action Needed By Management:

Not Applicable

ID:	32	Audit:	Payroll Process	Report Date:	8/15/2012	Owner:	Business Office
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Finding: Payroll procedures - Needs Major Improvement

Detailed Finding:

Formal payroll procedures (a valuable resource, particularly in an area with high personnel turnover) were not documented. For example, formal procedures do not exist for investigating returned W-2s. One returned W-2 form, post marked return to sender on 3/2/12, was observed on 5/2/12. The returned form had not been researched to ensure the employee and address was valid. A formal vacation policy does not exist. Vacation eligibility requirements, the number of days earned, carryover and payout allowances, etc. are not documented to provide for the consistent administration of vacation benefits. District policy DEA (legal) Compensation and Benefits Salaries and Wages had not been updated since 09/7/2010 and the section on Salaries beginning on page 1 addressed 09-10 and 10-11 school years. The provisions expired on 9/1/11 and provisions for the 11-12 school year had not been added.

Recommendations:

Payroll policies and procedures, including formal procedures for investigating returned W-2s, and a formal vacation policy should be documented and updated when necessary.

Management Response:

Returned W-2s will be timely investigated within 5 business days. A formal vacation policy will be documented and updated by HR. The District Policy updates are handled and maintained by the Superintendent's Office.

Target Date: 12/31/2012 **Status:** Partially Implemented

Validation Procedures:

Inquire as to the procedures related to investigation W-2's and documentation of a formal vacation policy.

Validation Results:

Regarding returned W-2's, the Payroll Supervisor compares the address on the W-2 to the address on the W-4 to determine whether the address is correct. A formal vacation policy has not been documented.

Remaining Action Needed By Management:

A formal vacation policy should be documented and updated when necessary. The procedures related to the investigation of returned W-2's should be documented.

ID: 33	Audit: Bond	Report Date: 6/7/2013	Owner: Business Office
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Finding: Purchase Order Authorization – Unsatisfactory

Detailed Finding:

The purchase order was created and approved after the receipt of the invoice for 11 of 25 sampled disbursements tested. This represented \$3.7M out of a total \$4.2M disbursements tested for purchase order authorization. Two additional instances of purchase orders created after the receipt of the invoice totaling \$9,063 for Austech Engineering were noted in the separate audit procedure related to actual costs reported in the overall budget (see Objective 7, Observation #1 below). The creation of a purchase order prior to the order of goods and services ensures the expenditure is authorized and sufficient budgeted funds are available in the account (e.g., to avoid bond proceeds being potentially over-committed) before the expenditure commitment. The Purchasing and Warehouse Guidelines requires the Purchasing Department to approve purchases via a requisition and assign a purchase order number before purchases are to be made. Further, PO issuance is the method used by the District to encumber funds once contracts are executed with vendors.

Recommendations:

Purchase orders should be created and authorized before placing orders with a vendor.

Management Response:

FASRG sections 1.1.3 Accounting Principals and Policies states that a district “shall employ a method of *encumbrance* accounting. Encumbrances shall be documented by contracts, purchase orders, or other evidence showing binding commitments for goods or services.” Section 1.1.6 Encumbrance Accounting states that “[a] school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future.” Furthermore section 1.8.1.2 Administrative Requirements states that “LEAs will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.” It is the practice of South San I.S.D. to get all bond programs approved by the Board of Trustees prior to initiating any projects. As part of the process, all contracted services that will be utilized during the scope of a project are also reviewed by the Board of Trustees for approval. If a vendor is not approved by the Board of Trustees, no goods or services are procured by the District from that vendor. For all bond projects, contractors are required to submit their scope of work as related to each project in which the services to be performed are outlined (contract). Once services have been performed, the bond project manager submits invoices to the business office for interim payments. Because the contract and scope of work has already been approved by the Board of Trustees and the contract serves as a legally binding document as stipulated in various sections of the FASRG as stated above according to TEA guidelines, the Business Office and the Purchasing Department are not required to also request a purchase order for payment processing. However the Business Office and the Purchasing Department still require this document in accordance with the District’s Purchasing and Warehouse Guidelines to provide reasonable assurance that risks are minimized when dealing with taxpayer funds. The District’s Purchasing and Warehouse Guidelines are used to provide general guidance as to the treatment of transactions, but the information contained in the document is not all inclusive. There are instances, such as the situation with the contracted services, that the District’s Business Administration may treat differently, but always in accordance with TEA guidelines. The District will work with the Project Manager, the third-party bookkeeper, and the SSAISD Bookkeeper to create Purchase Orders for the remaining district projects and contracts.

Target Date: 5/31/2013	Status: Implemented
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Validation Procedures:

Inquired if purchase orders (or approved contracts) are being created and approved prior to placing orders with vendors.

Validation Results:

It was noted that Garza (Architect) and Joeris (GC) were the only two vendors remaining that have approved contracts within the bond projects that do not require purchase orders as they have an approved contract. These type of vendors have an open PO for their contract amount. Per discussion with the Business Office, it was noted Purchasing was reminded of the need to ensure there are authorized PO's or contracts before making any purchases and represented that this action plan was implemented.

Remaining Action Needed By Management:

Not Applicable

ID: 34	Audit: Bond	Report Date: 6/7/2013	Owner: Business Office
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Finding: Pay Application Checklist – Needs Improvement

Detailed Finding:

Parsons, the Program Manager (PM) performs a review of the General Contractor's pay applications prior to submission to the District for payment. Parsons developed a formal review checklist to ensure all review points are performed and to document the quality of the review. However, the District did not require the pay application checklist and the formal checklist was not consistently used by Parsons. It was also noted that the predecessor PM did not use a pay application checklist.

A sample of review checklist points were re-performed without exception.

Recommendations:

The District should consider requiring the use of the checklist to ensure all review points are performed and to document the quality of the pay application review by the District or PM. The General Contractor's pay applications account for a majority of the 2010 bond program expenditures.

Management Response:

The District will require that a formal checklist created by Parsons and approved by the district be included with all pay applications before payment is disbursed.

Target Date: 5/31/2013	Status: Not Implemented
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Validation Procedures:

Inquire if the District requires that the formal checklist created by Parsons and approved by the District be included with all pay applications before payment is disbursed.

Validation Results:

The District does not require that the formal checklist generated by Parsons and approved by the District be include with all pay applications.

Remaining Action Needed By Management:

Partially implemented for 2010 Bond Program. For future bond programs, recommend consistently requiring the use of a checklist to ensure all review points are performed and to document the quality of the pay application review by the District.

ID: 35	Audit: Bond	Report Date: 6/7/2013	Owner: Business Office
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Finding: Bond Program Account Reconciliations and Segregation of Duties – Unsatisfactory

Detailed Finding:

With exception of the cash checking accounts, formal bond program (fund 699) balance sheet account reconciliations are not routinely performed. The investment account general ledger (GL) balances are periodically compared to the investment statements by the Executive Director of Business Services, however evidence is not maintained. A monthly financial close checklist is not in place to ensure GL account reconciliations are prepared, reviewed and approved.

Duties are not segregated since the Executive Director of Business Services has responsibility for the transfer of funds from the Investment accounts, preparation of the journal entries and reconciliation of the GL balance.

Recommendations:

All bond program fund 699 GL accounts should be reconciled on a monthly basis. The reconciliations should be evidenced as reviewed and approved by someone other than preparer. Month-end financial close checklist should be developed and implemented with appropriate sign-offs evidencing completion of all GL account reconciliations, including bond program fund 699 accounts.

Management Response:

The Business Office will begin to document the comparison of investment statement balances to the general ledger and consider the implementation of a month-end financial close checklist to evidence the completion of GL account reconciliations, including bond program fund accounts.

In order to address the segregation of duties, the General Accountant will prepare the reconciliations. The Executive Director of Business Services will review the reconciliations performed. In order to provide an additional layer of review, the Superintendent or designee will further review reconciliations.

Target Date: 6/30/2013	Status: Not Implemented
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Validation Procedures:

Inquire if a checklist has been implemented to ensure that all balance sheet accounts are routinely reconciled and then reviewed and approved by the Executive Director of Business Services, and that evidence of the reconciliation, review, and approval are maintained.

Validation Results:

Management represented this action plan is still in progress.

Remaining Action Needed By Management:

All bond program fund 699 GL accounts should be reconciled on a monthly basis. The reconciliations should be evidenced as reviewed and approved by someone other than preparer.

ID: 36	Audit: Bond	Report Date: 6/7/2013	Owner: Business Office
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Finding: Cash Accounts Alignment to GL – Needs Major Improvement

Detailed Finding:

Seven bank accounts are recorded to a single GL account. Transactions are manually reviewed in order to allocate the GL balance between each of the seven bank accounts that compose the GL balance. The allocation of the GL balance between the seven bank accounts was not documented to clearly evidence that the sum agreed to the actual GL balance.

Recommendations:

Set up separate GL accounts for each bank account to improve clarity and effectiveness of monthly reconciliations.

Management Response:

The Business Office will provide evidence that the seven bank account cash balances sum agrees to the actual GL balances by implementing the use of an Excel spreadsheet to sum total -the seven bank account reconciliation balances and attaching it to the bank reconciliations.

Target Date: 5/31/2013	Status: Implemented
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Validation Procedures:

Inquire if the seven bank accounts are being summed to clearly evidence that the sum agreed to the actual GL balance.

Validation Results:

Management represented that the seven bank accounts are being summed and compared to the GL balance. One example of the monthly reconciliation summation was provided to auditor.

Remaining Action Needed By Management:

Not Applicable

ID: 37	Audit: Bond	Report Date: 6/7/2013	Owner: Business Office
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Finding: Account Coding Verification – Needs Major Improvement

Detailed Finding:

Thirteen of the 25 selected disbursements had no account code verification form present within the supporting evidence contained in the vendor disbursements packets. The account code verification form is used to designate the funding source between Build America Bonds (BAB), Qualified School Construction Bonds (QSCB) and Capital Appreciation Bonds (CAB) bond bank accounts. The control to review and verify accuracy of account coding for bond program disbursement transactions is not operating effectively to mitigate the risk of inaccuracies.

Recommendations:

Account code verification forms should be completed with evidence of review/approval and included in the vendor disbursement packet before disbursements are processed.

Management Response:

The District will require that the account code verification form be submitted by the third party bookkeeper before entering any purchase order.

Target Date: 5/31/2013	Status: Implemented
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Validation Procedures:

Inquire if the District requires that the account code verification form be submitted by the third party bookkeeper before entering any purchase order.

Validation Results:

The account code verification form was required to be submitted prior to entering any purchase orders, however there were a few instances where the form was not available. Confirmed that a reminder was made to the purchase department to ensure that the account code verification form is consistently maintained.

Remaining Action Needed By Management:

Not Applicable

ID:	38	Audit:	Bond	Report Date:	6/7/2013	Owner:	Business Office
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Finding: Bond Program Spend Down – Needs Major Improvement

Detailed Finding:

Monitoring bond proceed expenditures for tax compliance “spend down” is required by the Board approved Tax Compliance Policies for Governmental Bonds document. However, there was no documented evidence that timeliness and amount of spend down activity was being monitored by the District. The tax compliance document expectation is to spend or commit 5% of bond proceeds within six months, to spend 85% of bond proceeds within three years, and to proceed with due diligence to complete the project and fully spend the bond proceeds. Further, bond proceeds were expected to be expended by April 30, 2013, as defined in the Certificate as to Tax Exemption document executed by the Board and Superintendent on August 2, 2010.

Recommendations:

The District should implement a documented process of monitoring bond proceed expenditures against the tax compliance document as required by the Board approved Tax Compliance Policies for Governmental Bonds. The process should include bond expenditure tax compliance status review and approval by the Superintendent or designee and inclusion in the bond program financial reporting package to the Board.

Management Response:

The Business Office with the assistance of the Bond Counsel will prepare a documented process to monitor the bond proceed expenditures against the tax compliance documents and include in the bond program financial reporting package to the Board. The contracted Arbitrage Rebate calculation firm of First Southwest will also provide annual assistance in monitoring the bond proceed spend downs for tax compliance reasons.

Target Date: 8/31/2013 **Status:** Not Implemented

Validation Procedures:

Inquire if the Business Office with the assistance of the Bond Counsel prepared a documented process to monitor the bond proceed expenditures against the tax compliance documents and include in the bond program financial reporting package to the Board.

Validation Results:

Management represented this action plan has not be implemented.

Remaining Action Needed By Management:

The District should implement a documented process of monitoring bond proceed expenditures against the tax compliance document as required by the Board approved Tax Compliance Policies for Governmental Bonds.

ID:	39	Audit:	Bond	Report Date:	6/7/2013	Owner:	Business Office
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Finding: Capital Assets and Depreciation – Needs Major Improvement

Detailed Finding:

The Financial Accountability System Resource Guide (FASRG) published by the Texas Education Agency (TEA) describes the rules for financial reporting for school districts. FASRG Module 1 Appendices provided journal entry illustrations for the issuance of bonds and the use of proceeds for building renovations. The financial records of the District were compared to the illustrative journal entries.

The entry for the partial building renovation in the general capital asset accounts was not recorded to the General Capital Assets Fund 901 for fiscal year ended August 31, 2011 (\$4.3 million). Bond program expenditures were recorded to Capital Projects Fund 699 consistent with FASRG. However, subsequent required entry to General Capital Asset Fund 901 was not recorded to “Construction Work in Progress” and “Investment” specific asset accounts for unfinished projects to indicate the source of monies from which the assets were acquired as required by FASRG section 1.2.4.1.

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It was noted that the capital asset and related depreciation entry to Capital Asset Fund 901 was recorded effective for fiscal year ended August 31, 2012 on December 12, 2012 just prior to completion of the external financial statement audit (for 2012 fiscal year end).

Recommendations:

Capital Asset entries should be recorded timely, completely, and accurately in accordance with referenced FASRG. The District should consider a year end close checklist item to ensure required capital asset entries are timely and consistently recorded in the future.

Management Response:

Subsequent required entries to the General Capital Asset Fund 901 were recorded to “Construction Work in Progress” and the various “Investment” specific asset accounts for unfinished projects. Please refer to the following entry:
 FIN2, GJ-0802525 posted to period 13 effective date of 8/31/12 Stamp ID 08-0013561105222
 The source of funds is not posted into this subsidiary ledger as this ledger is used only to maintain appropriate ending balances for fixed asset balance sheet accounts. The details for the source of funds spent on specific assets can be found in the “Fixed Assets” module of the Region 20 accounting system as required by FASRG section 1.2.4.1. Although recorded in lump sums with the above referenced journal entry, the completion of the Academy of Health Sciences was appropriately recorded as a debit to Buildings & Improvements and a credit to the Construction Work in Progress account in the amount of \$3.4 million in the General Capital Asset Fund 901, along with the appropriate corresponding depreciation. For more fixed asset activity and the presentation of these items on the financial statements, please refer to page 27, item D, Capital Assets of the South San Antonio Independent School District Annual Financial Report for the Year Ended 8/31/12.

In addition, because the District has had change in personnel in key positions at the Business Office, we are currently in the process of acquiring the services of an outside vendor so that an independent inventory can be taken of fixed assets. The Business Office will use the information in order to update fixed asset records as appropriate and necessary.

Target Date:	6/30/2013	Status:	Implemented
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Validation Procedures:

Obtained and verify JE's were made.

Validation Results:

Obtained evidence that entry was made on 12/21/2012 for 2011 and 2012. Though it was noted that the entry was not made timely for either year.

Remaining Action Needed By Management:

Not Applicable

ID:	40	Audit:	Bond	Report Date:	6/7/2013	Owner:	Business Office
Finding:	Budget Reporting Completeness and Accuracy – Needs Major Improvement						
Detailed Finding:							
<p>The PM prepares the 2010 Bond Program Budget Overview (“overall budget”) for inclusion in the monthly Board reporting package. The overall budget is monitored to ensure actual, committed and projected future costs do not exceed the total available funds.</p> <p>The PM is dependent upon the District for the completeness and accuracy of commitments to date, including contracted amounts and actual costs to date. Though detailed expenditure information is communicated to the PM as disbursements are made, a comparison to the District’s financial system data is not routinely performed to ensure a complete and accurate record of contractual obligations and actual expenditures has been included in the overall budget.</p> <p>The internal audit included a comparison of the District’s check register to the overall budget’s actual costs reported in the October 19, 2012 Board package and exceptions were noted. Actual costs reported in the overall budget were overstated by \$22,581.</p> <p>It was also noted that one Central Plant invoice was incorrectly applied to the High School PO.</p>							
Recommendations:							
<p>The overall budget was updated for the errors identified during the internal audit. The District’s Business Office should perform an accuracy review and reconciliation of the Project Manager’s monthly budget overview report to the District’s financial records before such report is finalized. This will help ensure that a complete and accurate record of contractual obligations and actual expenditures has been included in the overall budget.</p>							
Management Response:							
<p>The Business Office will review the monthly report from Parsons and monitor their reconciliation report presented to the School Board.</p> <p>The bond reporting prepared by the Project Manager is based on a budget basis and presents information relative to the overall bond budget. The Project Manager’s scope of services did not include a financial accounting representation which would require them to tie in reported expenditures to the district general ledger.</p> <p>The Director of Budget & Fiscal Services monthly bond report provides monthly and aggregate bond program activity and balances. The source document for this report is the general ledger.</p>							
Target Date:	7/31/2013	Status:	Implemented				
Validation Procedures:				Validation Results:			
<p>Inquire if the District’s Business Office performed an accuracy review and reconciliation of the Project Manager’s monthly budget overview report to the District’s financial records before such report is finalized.</p>				<p>Obtained evidence from the Director of Budget & Fiscal Services which showed the Business Office review and recon of the PM’s monthly budget overview report.</p>			
Remaining Action Needed By Management:							
Not Applicable							

ID:	41	Audit:	Bond	Report Date:	6/7/2013	Owner:	Business Office
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Finding:	Budget Monitoring and Reporting for Proceeds – Needs Major Improvement
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Detailed Finding:

The master budget does not include interest received from temporary investment accounts. Interest earned on invested bond proceeds is considered part of the total bond proceeds available for authorized expenditures.

Interest earned was \$165,973 through December 7, 2012 based on monthly bond activity reports prepared by Executive Director of Business Services.

Recommendations:

Earnings on applicable invested bond proceeds that are eligible for authorized bond program expenditures should be communicated to the Project Manager on a monthly basis for inclusion in the master budget's "Total Funding Available for All Projects" amount.

Management Response:

The Director of Budget & Fiscal Services monthly bond report provides information on the monthly interest earned and aggregate interest earned per respective bond program.

The Business Office will provide a copy of the monthly bond report to the Project Manager for inclusion in the master budget's "Total Funding Available for All Projects" amount. The Business Office will review the report with the Superintendent on a monthly basis.

Target Date:	5/31/2013	Status:	Implemented
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Validation Procedures:

Inquire if the Business Office is providing interest received to date to the PM for inclusion into the master budget's "Total Funding Available for All Projects" amount and that the Business Office reviews the report with the Superintendent on a monthly basis.

Validation Results:

Total interest earned is being included in the master budget (evidence provided to auditor). However, per management action plan, it was noted that this has not presented consistently on a monthly basis to the Superintendent due to the turnovers.

Remaining Action Needed By Management:

Not Applicable

ID:	42	Audit:	Bond	Report Date:	6/7/2013	Owner:	Business Office
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Finding:	Bond program procedures - Needs Improvement
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Detailed Finding:

Formal bond program policies and procedures were not documented. A bond program procedures manual would provide requirements and guidance for the management of District bond programs. Given the amount of time between bond programs, there is potential for lack of bond program management experience by key personnel. Lessons learned should be documented for use in future bond program processes.

Recommendations:

Formal bond program policies and procedures should be documented and updated when necessary.

Management Response:

The Business Office will coordinate with the appropriate bond program professionals and begin the process of preparing formal bond program policies and procedures.

Target Date:	12/31/2013	Status:	Not Implemented
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Validation Procedures:

Inquire if bond program policies and procedures have been created.

Validation Results:

No policies and procedures have been created.

Remaining Action Needed By Management:

Formal bond program policies and procedures should be documented and updated when necessary.

ID: 43	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
Finding: Activity Fund receipts - Unsatisfactory			

Detailed Finding:

Inquire if activity Fund receipts testing results are summarized in the table below:

- Activity Fund individual and/or cumulative receipts in excess of \$150 were not deposited on a daily basis as required (Manual Chapter 5 and FASRG section 5.5.3). For testing purposes, the activity/event transaction date was compared to the bank posting date. A difference of one business day was considered acceptable to allow for bank posting delays. Receipts were deposited up to 96 days late and 63% of late deposits were deposited more than one week late.
- Adequate supporting documentation, as required by the Manual (Chapter 5) and FASRG section 5.5.4.1, was not located and transactions could not be tested as a result.
- The amount of funds received did not agree with deposited amount. See the supplemental table below.
 - Most exceptions were noted due to a lack of support and the receipt amount could not be compared with the deposited amount.
 - Some exceptions were noted for expenses paid directly out of the cash proceeds rather than by check as required by the Manual (Chapter 4). Further, only the net deposited amount was recorded in Quicken rather than separate entries for the gross amount of the receipt and the expenses. Paying for expenses out of cash receipts increases the risk for lack of proper disbursement authorization and inaccurate record keeping. For example, some athletic event custodial services were paid from cash proceeds rather than through Payroll (Manual Chapter 1 and FASRG section 5.5.4.9).
 - Some exceptions were noted for shortages in the deposited amount.
- The campus or student group account (Quicken sub-account), used to account for money belonging to individual student groups, was not accurately recorded in the system. For example, book fair revenue should have been recorded to the Library sub-account rather than to the Campus sub-account. Further, Quicken activity reports were not routinely distributed to faculty sponsors for review to ensure transactions are entered to the correct Quicken sub-account.

Recommendations:

The Activity Funds receipt process should be modified as follows:

- Receipts should be deposited daily as required by the Manual (Chapter 5) and FASRG section 5.5.3.
- A form that includes details about the payer and a description of the receipt should be completed for cash receipts (FASRG section 5.5.4.1). All Activity Fund records should be maintained in a neat and orderly manner and retained in compliance with the Manual (Chapter 7).
- All expenses should be supported by an authorized check request form and paid via a check rather than out of cash funds. Disbursements for custodial and other employee services should be processed through Payroll as required by the Manual (Chapter 9) and FASRG section 5.5.4.9.
- Monthly Quicken transaction reports for each sub-account should be distributed to the appropriate faculty sponsor for review and approval to ensure the accuracy of recorded transactions and account balance. The approved reports should be returned to the bookkeeper. The principal should be responsible for approving any sub-account that does not have an assigned faculty sponsor. See FASRG section 5.5.3 for responsibilities of the sponsor.

Management Response:

Student activity funds consist of money, which is received and held by the school as trustee. As such, South San Antonio I.S.D., Principals, teachers, bookkeepers and other staff are placed in a position of trust by parents and students when funds are placed in their care. Adequate measures to control these funds will ensure that the funds are handled properly. It is the goal of the Business Office to account for student activity funds in compliance with the TEA Financial Accountability System Resource Guide and to ensure that these funds are being used for the intended purpose and in accordance with the District's policies and procedures. Within this scope, South San Antonio I.S.D.'s Business Office has developed procedures to monitor activity funds and provide support and training to campuses in this area and has also acquired a more robust accounting software that will help the campuses and the Business Office streamline account codes for better descriptions and documentation.

Many of the findings outlined in this report had been concerns for the Business Office since before the onset of this audit. These concerns were discussed with the internal auditors assigned to do the work for this Activity Funds Audit. Because of these concerns, the Business Office had already begun the process of updating the Activity Funds Manual with plans to also produce a series of videos that will serve as training tools for Principals, secretaries and any other individual who undertakes the responsibility of raising funds for or in behalf of our students. The accounting software offered by the Kev Group had already

been acquired and the work for the conversion is currently in process.

- The manual has been updated with a series of forms that will help the campus staff document fundraising activity from the beginning, starting with the principal's approval through the end when they calculate how much profit they earned. The SAF manual is also posted on the District's Q: drive, which is a shared drive for Principals, secretaries, and the business office in order to securely share information. This drive was requested by the Business Office before fiscal year 2013-14 for the primary purpose of sharing SAF information. In addition to submitting reconciliations as a monitoring tool for the Business Office, effective 2013-14, bookkeepers are required to complete a "Summary of Fundraising Activities" (Appendix A-05 of the SAF Manual) to provide an overview of the fundraising activities at the campus, even if there was no activity for the month.
- Principals were trained on August 9th, 2013 on various Business Office procedures including Student Activity Funds. At that training, Principals were provided with all Business Office procedures manuals and they were asked to review them and provide any recommendations for changes by September 30th, 2013 if they felt changes were warranted. Training was also provided to secretaries and new Principals on September 25th & 26th on various topics, including Student Activity Funds. They were provided with the SAF manual and the power point presentation that included various examples and a condensed version of SAF procedures for a quick reference guide. They were also made aware that the manual is currently posted on the shared drive for reference at any time.
- The Business Office is also working with the Kev Group in order to streamline all of the account code structures for the activity funds. This will be a great tool because the system will allow us to set up a series of accounts with uniformity. This is important because in the future, when and if there is a change of personnel at the campus levels where a secretary or principal may go from one campus to another, the account codes will be the same, allowing for a much shorter learning curve in the area of activity funds. The Business Office has been working with the Kev Group in order to ensure a successful and accurate implementation. Due to previously understaffed level at the Business Office, we will be working to finalize the transition in the summer so that we can be ready for the 2014-2015 fiscal year.
- In addition, work is underway to develop a series of short "how to" videos that should help as training or learning tools for activity funds processes. These will be great refresher tools for anyone who has already been trained but most importantly, it will serve to train anyone who might be new to fundraising that needs to be trained before being allowed to handle any SAF monies.

The Business Office will continue to review other processes that may be available in order to help the campuses and the District be successful in its goal to account for student activity funds in compliance with the TEA Financial Accountability System Resource Guide and to ensure that these funds are being used and accounted for in accordance with the District's policies and procedures.

Target Date: 9/30/2014

Status: Partially Implemented

Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Obtain evidence that Principals and secretaries have been trained (or re-trained) within respect to proper management of activity funds to ensure:

- Receipts are deposited daily.
- A form that includes details about the payer and a description of the receipt should be completed for cash receipts.
- All expenses should be supported by an authorized check request form

And that monthly Quicken transaction reports for

Validation Results:

Headway is being made in the remediation efforts. An Activity Funds Manual has been finalized. Training covering the policies and procedures for appropriately managing student and campus activity funds has been provided to current Principals, new Principals, and secretaries. Obtained evidence of these trainings including PowerPoint presentations and attendance sign-in sheets. Verified that the training included:

- Receipts are deposited daily.
- A form that includes details about the payer and a description of the receipt should be completed for cash receipts.
- All expenses should be supported by an authorized check request form

Noted that monthly Quicken transaction reports for each sub-account are not being consistently distributed to the appropriate faculty sponsor for review and approval to ensure the accuracy of recorded transactions and account balance. The approved reports should be returned to the bookkeeper. The principal should be responsible for approving any sub-account that does not have an assigned faculty sponsor.

each sub-account should be distributed to the appropriate faculty sponsor for review and approval to ensure the accuracy of recorded transactions and account balance. The approved reports should be returned to the bookkeeper. The principal should be responsible for approving any sub-account that does not have an assigned faculty sponsor.

Remaining Action Needed By Management:

Monthly Quicken transaction reports for each sub-account should be distributed to the appropriate faculty sponsor for review and approval to ensure the accuracy of recorded transactions and account balance. Approval should be returned to the bookkeeper.

ID: 44	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Annual plan for fundraising – Unsatisfactory

Detailed Finding:

Annual budgets were not prepared to list each organization to be engaged in fundraising activities; to plan for estimated receipts, costs, and net funds expected; and to specify the intended use of the funds for each Activity Fund account as advised by FASRG section 5.5.6.

Recommendations:

Principals should prepare an annual budget to document its planned fundraising activities and to specify the intended use of the funds. The budget should be submitted to the Superintendent or designated Administrator for approval of activities anticipated during the school year (many will be recurring each year). Schools should report the outcome of each fundraising activity as completed, including how the funds were used. Copies of the approved annual budget and fundraising activity reports should be sent to the Business Office.

Management Response:

Current procedures outlined in the District's SAF manual (Chapter 6, page 24) require that all fundraising activity be approved at the campus level by the respective principal. The FASRG section 5.5.6 states that "It is often advisable for the various school Principals to submit an annual plan for fundraising to the central office....," but it is not required. Chapter 6 of the manual includes specific details of how to document a fundraiser. There is a form that is included "Application/Report for Fundraising Activity" (Appendix A-06) that should be used to document all activity from the initial approval of a fundraiser to its completion. In addition, bookkeepers are required to complete a "Summary of Fundraising Activities (Appendix A-05) to provide an overview of the annual fundraising activities at the campus. Starting September 2013, campuses are required to submit this form to the Business Office for review even if there was no activity.

Target Date: 9/30/2013 **Status:** Implemented

Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquire if the Summary of Fundraising Activity form has been created and is being submitted to the Business Office for review and approval.

Validation Results:

The Summary of Fundraising Activity is being completed even if there is not activity. Likewise, it is submitted to the Business Office monthly for review. Evidence of one campus for one month was provided to the auditors.

Remaining Action Needed By Management:

Not Applicable

ID: 45	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Fundraiser Reports – Unsatisfactory

Detailed Finding:

Fundraiser reports were not consistently prepared to authorize and document fundraising activities as required by the Manual (Chapter 6). The lack of fundraising reports increases the risk of irregularities and misappropriation of funds. Exceptions were noted for the lack of fundraising reports.

Recommendations:

Fundraiser Reports should be completed to authorize and document fundraising activities as required by the Manual (Chapter 6) Schools should report the outcome of each fund-raising activity as completed, including how the funds were used. Preparation of fundraiser reports should apply to all sources of revenue, not only to traditional campus-wide fundraising events (for example, cookie dough fundraiser).

Updates to the Manual include the use of Quicken fundraiser codes to facilitate the tracking and reporting of fundraiser revenue and expenses. Implementation of this new procedure is recommended.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Reference Record Number 44

Validation Results:

Reference Record Number 44

Remaining Action Needed By Management:

Not Applicable

ID:	46	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding: Unsupported Quicken Adjustments – Needs Major Improvement

Detailed Finding:

Analysis of the Quicken transaction reports was performed to identify significant amounts not included in the planned audit procedures for deposits and check disbursements (for example, adjustments, error corrections, transfers between sub-accounts, etc.). The net amount of the transactions for each campus was not considered significant, except for adjustments recorded at Dwight Middle School for the period September 2008 – August 2011.

All September 2008 – August 2011 Dwight Middle School adjustments and error corrections (e.g., coded as 'ADJ') greater than \$250 were selected for further audit procedures:

Supporting documentation was not located for 12 of the 23 'ADJ' transactions tested.

- Seven of the 12 undocumented transactions were considered reasonable based upon the transaction description, review of bank statements and data analysis for duplicate data entry error corrections.
- A conclusion regarding the reasonableness and review/approval of the adjustment could not be determined for five of the 12 undocumented transactions. These five transactions totaled \$2,487.78 and represented a bank versus book balance cash shortage.

Recommendations:

Sufficient supporting documentation for adjustments recorded to Activity Fund accounts should be retained to evidence authorization and to clearly explain the reason for the adjustment.

It is also recommended that further research and examination of Activity Fund adjustments be performed to assess the validity of the adjustments.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014 **Status:** Implemented

Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Obtain evidence that Principals and secretaries have been trained (or re-trained) within respect to consistently retaining proper support for adjustments.

Validation Results:

Obtained training PowerPoint presentation and sign-in sheet for Principal and secretary training. Noted that the presentation included evidence of training to ensure they consistently retain support for adjustment to Activity Fund accounts.

Remaining Action Needed By Management:

Not Applicable

ID: 47	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Receipt numbers on deposit slips – Needs Improvement
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Detailed Finding:

Deposit slips did not include receipt numbers to allow for a proper audit trail for the disposition of all pre-numbered receipts (FASRG 5.5.4.1). However, deposits slips and applicable supporting documentation were filed together to allow for a proper audit trail.

Recommendations:

Deposit slips should include receipt numbers to allow for a proper audit trail for the disposition of all pre-numbered receipts.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Obtain evidence that Principals and secretaries have been trained (or re-trained) within respect to ensuring deposit slips should include receipt numbers to allow for a proper audit trail for the disposition of all pre-numbered receipts.

Validation Results:

Obtained training PowerPoint presentation and sign-in sheet for Principal and secretary training. Noted that the presentation included evidence of training to ensure deposit slips should include receipt numbers to allow for a proper audit trail for the disposition of all pre-numbered receipts.

Remaining Action Needed By Management:

Not Applicable

ID: 48	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Event change funds – Needs Improvement
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Detailed Finding:

No evidence was observed for the establishment of change funds by cashing a check for a predetermined amount and re-depositing the full amount at the end of the event, as required by the Manual (Chapter 6).

Recommendations:

The Business Office should communicate the proper method for establishing event change funds and stress the importance of compliance with the Manual requirements.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Not Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquiry if Business Office communicated the proper method for establishing event change funds and compliance with the Manual.

Validation Results:

This was not communicated in the training, although it was noted that a comment in the training to the Principals and secretaries that compliance to the Manual was important.

Remaining Action Needed By Management:

The Business Office should communicate the proper method for establishing event change funds.

ID:	49	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
Finding:	Disbursements – Unsatisfactory						
Detailed Finding:							
<p>Activity Fund disbursements testing results are summarized in the table below:</p> <ul style="list-style-type: none"> • Check Requests were not authorized (signed) by the Principal and/or Faculty Sponsor as required by the Manual (Chapter 4). • Inappropriate expenditures and/or expenses strictly prohibited by the Manual (Chapter 1) were incurred. For example, expenditures for gift cards, and children clothing were observed. See Observation #5 for additional non-compliant expenditures and employee reimbursements. • Disbursements were not accurately recorded to the correct Quicken sub-accounts. For example, expenses should have been recorded to the Patrol sub-account rather than to the Campus sub-account. • Supporting documentation as required by the Manual (Chapter 4) and FASRG section 5.5.4.2 was not located and transactions could not be tested as a result. 							
Recommendations:							
<p>Disbursements should be made in compliance with the Manual.</p> <ul style="list-style-type: none"> • Prior authorization from the Principal (and the Faculty Sponsor in the case of Student Activity Accounts) should be documented in writing on a Check Request Form prior to issuing a check. • Disbursements should be made only for appropriate and authorized expenditures that are in compliance with the Manual (Chapter 1). • Review of Quicken sub-account coding should be performed by the Principal and Faculty Sponsors to ensure the accuracy of recorded transactions. See recommendation in Objective 1, Observation #1. • All Activity Fund records, as required by the Manual (Chapter 4) and FASRG section 5.5.4.2, should be maintained in a neat and orderly manner and retained in compliance with the Manual (Chapter 7). 							
Management Response:							
Reference the Management Response at Record Number 43.							
Target Date:	9/30/2014	Status:	Implemented				
Validation Procedures:				Validation Results:			
<p>Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.</p> <p>Obtain evidence that Principals and secretaries have been trained (or re-trained) within respect to proper management of activity funds to ensure: prior authorization from the Principal (and the Faculty Sponsor in the case of Student Activity Accounts) should be documented in writing on a Check Request Form prior to issuing a check, disbursements should be made only for appropriate and authorized expenditures, and review of Quicken sub-account coding should be performed by the Principal and Faculty Sponsors to ensure the accuracy of recorded transactions (reference Record 43).</p>				<p>Training covering the policies and procedures for appropriately managing student and campus activity funds has been provided to current Principals, new Principals, and secretaries. Obtained evidence of these trainings including PowerPoint presentations and attendance sign-in sheets. Verified in the training the following was covered:</p> <ul style="list-style-type: none"> • Prior authorization from the Principal (and the Faculty Sponsor in the case of Student Activity Accounts) should be documented in writing on a Check Request Form prior to issuing a check. • Disbursements should be made only for appropriate and authorized expenditures 			
Remaining Action Needed By Management:							
Not Applicable							

ID: 50	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Club Treasurer Approval – Unsatisfactory
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Detailed Finding:

None of the High School and Middle School Student Activity disbursements were approved by the applicable student Club Treasurer as required by the Manual (Chapter 4). These disbursements were recorded to Fund 865 – Student Activity Account. Student Activity Funds serve as an agency account for student club or class funds and the financial decisions rest solely with the students (FASRG section 5.5.1).

Recommendations:

All Student Activity disbursements should be approved by the Club Treasurer as required. The Business Office should stress the importance of compliance with the Manual during annual training of personnel.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Obtain evidence that Principals and secretaries have been trained (or re-trained) within respect to Student Activity disbursements should be approved by the Club Treasurer.

Validation Results:

Obtained the training PowerPoint presentation and sign-in sheet. Verified that the presentation included details to communicate the requirements that all Student Activity disbursements be approved by the Club Treasurer.

Remaining Action Needed By Management:

Not Applicable

ID: 51	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: PO requirement – Needs Improvement
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Detailed Finding:

The Manual (Chapter 4) requires issuance of a purchases order for all expenditures in excess of \$150. This practice was not observed at the campuses.

Recommendations:

The purchase order threshold amount of \$150 should be evaluated by the Business Office as part of the updates to the Manual. The importance of compliance with Manual requirements should be communicated to the campus Principals and bookkeepers.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Not Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquire if purchase order threshold amount of \$150.00 has been updated in the Manual and communicated to the Principals and bookkeepers.

Validation Results:

No communications have been made on this item.

Remaining Action Needed By Management:

The purchase order threshold amount (\$150) should be evaluated by the Business Office and communicated to the campus Principals and bookkeepers.

ID:	52	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding:	Voided checks – Needs Improvement
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Detailed Finding:

Two Zamora checks were not properly voided (“VOID” was not written across the checks) as required by the Manual (Chapter 4).

Recommendations:

The Business Office should communicate the proper method for voiding checks and stress the importance of compliance with the Manual requirements.

Management Response:

Reference the Management Response at Record Number 43.

Target Date:	9/30/2014	Status:	Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Verify training has been provided to the Principals and secretaries to ensure that checks are properly voided.

Validation Results:

Obtained the training PowerPoint presentation and sign-in sheet for the training provided to Principals and Secretaries. Verified that the appropriate record procedures for voided checks was communicated.

Remaining Action Needed By Management:

Not Applicable

ID: 53	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Gifts and reimbursements – Needs Major Improvement
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Detailed Finding:

The Manual (Chapter 1) prohibits the purchase of any gift for any person or organization from Campus accounts (this includes gift certificates, retirement gifts, flowers, etc.). Prohibited expenditures of \$6,709 for gifts from campus accounts were identified.

Employee reimbursements for school related purchases should be limited to less than \$150 per reimbursement according to the Manual (Chapter 4). Employee reimbursements in excess of \$150 each were identified through data analytics and totaled \$50,017. Examples included employee reimbursements for concession supplies, Robotic parts, and supplemental athletic uniforms.

Recommendations:

The Business Office should communicate appropriate uses of Activity Funds and prohibited expenditures and stress the importance of compliance with the Manual requirements.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Reference Record Number 49

Validation Results:

Reference Record Number 49

Remaining Action Needed By Management:

Not Applicable

ID:	54	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding: Segregation of duties – Unsatisfactory

Detailed Finding:

Bank reconciliation duties were not appropriately segregated. Activity Fund bookkeepers have responsibility to process fund receipts and disbursements, record activity fund transactions and prepare bank reconciliations. FASRG section 5.5.4.5 states that all bank accounts should be reconciled by a person independent of safeguarding the activity fund assets.

Recommendations:

Assign bank account reconciliation responsibility to an individual who is independent of processing/recording transactions and safeguarding Activity Fund assets. Specifically, it is recommended that a Business Office employee prepare the monthly reconciliations. The Principals should continue to review and approve bank reconciliations.

Management Response:

In the guidelines currently in place, the Principal is responsible for reviewing all transactions related to activity funds. Although the secretary is responsible for preparing the reconciliation, the Principal has to review and sign off on the process each month. In addition, the Business Office added a checklist to guide them on what needs to be looked at on a monthly basis. The Business Office then does a second review of the reconciliation just in case something got missed in the process. In the future, the Business Office is looking into the feasibility of hiring a bookkeeper at the campus or the possibility of centralizing the activity accounts.

Target Date:	9/30/2014	Status:	Not Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquire if the reconciliations are being performed by independent personnel in accordance with FASRG section 5.5.4.5.

Validation Results:

A checklist is utilized by the Principals and Business Office to review through the reconciliations to ensure that they were performed appropriately. Noted this is a partial mitigating process. The feasibility of hiring an independent bookkeeper or performing the reconciliations at the Business Office is still being considered.

Remaining Action Needed By Management:

Assign bank account reconciliation responsibility to an individual who is independent of processing/recording transactions and safeguarding Activity Fund assets.

ID:	55	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
Finding:	Bank Reconciliations– Unsatisfactory						
Detailed Finding:							
<p>Activity Fund bank reconciliation testing results are summarized in the table below:</p> <ul style="list-style-type: none"> • Bank reconciliations were not signed by the Principal to evidence review as required by the Manual (Chapter 3). • Quicken Banking Summary reports were either not provided to ensure the accuracy of the book balance on the bank reconciliation or the report balance did not agree with the book balance on the bank reconciliation. • The bank balance on the bank reconciliation did not agree with the bank statement balance. • Bank reconciliations were not prepared timely. Though the Manual (Chapter 3) requires bank reconciliations be prepared by the 15th working day of the subsequent month, bank reconciliations prepared by the last day of the subsequent month were considered acceptable by the Business Office and for audit testing purposes. Bank reconciliations prepared after the end of the following month were considered exceptions. • Reconciling items were not reasonable. Uncleared checks outstanding more than one year (see Manual Chapter 4) and uncleared deposits outstanding more than one month were considered unreasonable. 							
Recommendations:							
<p>Bank reconciliations should be prepared in a timely manner and should be reviewed and approved by the Principal each month. (See related recommendation in Objective 3 Observation #1). The book balance per the bank reconciliation should be verified to the Quicken Banking Summary report and the bank balance per the bank reconciliation should be verified to the bank statement. Reconciling items should be reviewed to ensure checks outstanding for more than twelve months are researched and re-cut or escheated to the State through unclaimed property reporting. Un-cleared deposits should be researched and resolved timely. Particular attention should be given to uncleared deposits to timely identify potential irregularities.</p>							
Management Response:							
Reference the Management Response at Record Number 43.							
Target Date:	9/30/2014	Status:	Partially Implemented				
Validation Procedures:				Validation Results:			
<p>Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding. Obtain and review a sample of one bank reconciliation and verify that it was completed timely, reviewed/approved by the Principal (via evidence of a sign-off), book balance per the bank reconciliation should be verified to the Quicken Banking Summary report and the bank balance per the bank reconciliation should be verified to the bank statement. Reconciling items should be reviewed to ensure checks outstanding for more than twelve months are researched and re-cut or escheated to the State through unclaimed property reporting. Un-cleared deposits should be researched and resolved timely. Particular attention should be given to uncleared deposits to timely identify potential irregularities.</p>				<p>Obtained and reviewed a sample of one bank reconciliation (September 2013 - South San High school) and verified that it was reviewed/approved by the Principal (via evidence of a sign-off), book balance per the bank reconciliation agreed to the Quicken Banking Summary report and the bank balance per the bank reconciliation agreed to the bank statement. Also, verified uncleared checks and deposits were noted and reviewed. However, it was noted that the reconciliation was completed on 11/11/2013 over 42 days following the end of the month. The review and resolution of outstanding checks, including further action in accordance with unclaimed property requirements was in progress but had not been implemented. Refer to Record Number 10 and 30 for similar findings from the Expenditure and Payroll audits.</p>			
Remaining Action Needed By Management:							
<p>Reconciliations for the Campus and Student Activity Funds need to be performed timely (i.e. within 30 days of month end). Additionally, outstanding checks should be researched and assessed whether amounts should be reported as unclaimed property.</p>							

ID:	56	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding:	Periodic Audits – Unsatisfactory
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Detailed Finding:

Periodic audits of Activity Funds by the Business Office, as required by the Manual (Chapter 1) and FASRG (section 5.5.3), have not occurred in more than a year. The lack of monitoring Activity Funds increases the risk of unauthorized, inappropriate and unsupported transactions. Refer to observations above for Objectives 1-3. Further, audit reports and workpapers were not stored in department files to ensure proper retention of audit workpapers.

Recommendations:

Annual audits should be completed for each Activity Fund to ensure transactions are processed in compliance with the Manual and FASRG guidance.

A recurring rotational audit schedule should be established and results (e.g. a scorecard) should be documented and distributed to the Superintendent and the Principals. For example, each quarter four campuses should be audited to ensure that all Activity Fund accounts are audited within a 12 month period. Results of previous audits should be taken into consideration when determining the level of audit procedures performed.

Audit reports and workpapers should be retained in central department files to ensure proper retention.

Management Response:

The Business Office is working on putting together an audit schedule. We are currently making use of the shared drive in order to do some “spot checking” at random campuses and creating a template on which campuses are going to be audited during year.

Target Date:	9/30/2014	Status:	Not Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquire if an audit schedule has been developed and implemented to review student and campus activity funds on a periodic basis.

Validation Results:

Presently, a formal audit schedule of the student and campus activity funds has not been developed or implemented.

Remaining Action Needed By Management:

Develop and implement a formal audit schedule of the student and campus activity funds.

ID: 57	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding:	Maintenance of positive account balances – Needs Major Improvement
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Detailed Finding:

Exceptions were noted for certain Quicken sub-accounts that failed to maintain a positive balance in the account as required by the Manual (Chapter 1) and FASRG section 5.5.4.2. In some cases, Banking Summary reports were not available for review to ensure each Quicken sub-account maintained a positive balance.

Recommendations:

The Business Office should ensure that monthly Banking Summary reports are provided by all schools for all accounts, and monitor that each Quicken sub-account retains a positive balance.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Partially Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Verify training videos have been created and provided to the Principals and secretaries to ensure appropriate procedures are followed for positive balances.

Validation Results:

Presently, 3 videos have been created, but more in are progress.

Remaining Action Needed By Management:

Continue developing and posting training videos for campus Principals and secretaries/bookkeepers to ensure appropriate reconciliation and monthly financial close procedures are followed.

ID:	58	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding:	Responsibility and Conflict of Interest Forms – Unsatisfactory
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Detailed Finding:

The Responsibilities of Faculty Sponsors of Student Groups and Conflict of Interest Disclosure forms were not submitted to the Business Office as required by the Manual (Chapter 1). Further, the Business Office did not follow-up to ensure the forms were completed by all personnel involved with the process.

The audit tested whether Responsibilities of Faculty Sponsors of Student Groups and Conflict of Interest Disclosure forms were completed. The number of Activity Fund accounts tested and the number of exceptions (lack of required forms) are outlined in the table below. Further, in instances when forms were prepared, missing forms were identified for key individuals (for example, forms were not prepared by the principal).

Recommendations:

The Business Office should follow-up with each campus principal to ensure required Responsibilities of Faculty Sponsors of Student Groups and Conflict of Interest Disclosure forms are completed by all required individuals each year.

Management Response:

Reference the Management Response at Record Number 43.

Target Date:	9/30/2014	Status:	Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Verify training was provided to Principals to ensure required Responsibilities of Faculty Sponsors of Student Groups and Conflict of Interest Disclosure forms are completed by all required individuals each year.

Validation Results:

Obtained PowerPoint presentation and sign-in sheets of the training provided. Noted that training included the requirements for the annual completion of the Responsibilities of Faculty Sponsors of Student Groups and Conflict of Interest Disclosure forms. Reference Record Number 43 for additional details around this training.

Remaining Action Needed By Management:

Not Applicable

ID: 59	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Training of Personnel – Needs Major Improvement

Detailed Finding:

Annual Activity Funds training was not provided at the beginning of the 2012-2013 school year. The Business Office responds to inquiries and provides guidance when requested.

Training was requested by many of the individuals involved in the process that were interviewed during the audit. This included both personnel new to their role and personnel that have been performing activity fund related responsibilities for a number of years. Common compliance issues identified in the audit (for example, lack of timely deposits, lack of approvals, lack of fundraising reports, lack of sponsor forms, etc.) should be stressed during training sessions.

Recommendations:

Mandatory training should be provided on an annual basis and in the interim when necessary for new Principals, faculty and bookkeepers. Documentation of the training (e.g., attendance records) should also be retained.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Inquire if training has been established on an annual basis.

Validation Results:

Obtained the PowerPoint presentation and sign-in sheet for the training required of Principals and secretaries.

Remaining Action Needed By Management:

Not Applicable

ID: 60	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Annual Journal Entry amount – Unsatisfactory
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Detailed Finding:

The Business Office did not ensure all Activity Fund bank reconciliations were complete during the August 2012 fiscal year end process. As a result, the external auditor advised the Business Office to compare the beginning Quicken book balance with the ending bank balance (rather than to the ending Quicken book balance) to calculate the current year activity. The Activity Funds balance in the District's general ledger (the sum of bank balances) did not agree with the Quicken book balances.

Recommendations:

The Business Office should ensure that the bank reconciliations are complete on a monthly basis and especially during the year end process so that the annual journal entries recorded for Activity Funds in the District's general ledger agree with the Quicken books of the individual campuses.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Partially Implemented
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Validation Procedures:

Reference Record Number 55.

Validation Results:

Reference Record Number 55.

Remaining Action Needed By Management:

Reference Record Number 55 for monthly and year-end bank reconciliations which provides control over the completeness of Activity Fund annual journal entries.

ID:	61	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding: Annual Journal Entry Coding – Needs Major Improvement

Detailed Finding:

Six Activity Fund bank accounts were considered Student Activity funds and annual entries were recorded to Fund 865– Student Activity Account even though the financial decisions did not rest solely with the students.

FASRG section 5.5.1 defines Student Activity accounts as those which serve as an agency account for student club or class funds and the financial decisions rest solely with the students. Expenditures from these six bank accounts were not approved by the student Club Treasurer (see Objective 2, Observation #2); the financial decisions did not rest solely with the students; and other individuals besides the students involved in the activity fund (sponsors, Principals, etc.) had access to the funds.

Recommendations:

The Business Office should evaluate each of the bank accounts that were recorded to Fund 865– Student Activity Account and ensure that they meet FASRG section 5.5.1 definition before recording the annual activity to Fund 865– Student Activity Account.

Management Response:

As part of the conversion to the new Kev Group Software, the Business Office will be evaluating accounts based on campus information in order to determine whether an account should be recorded in 865 or 461. Part of the training that was provided included the proper identification of an account. There was specific emphasis put on the fact that student accounts must have student officers that are partially responsible for the decision making of the group they represent.

The Business Office has been working with the Kev Group in order to ensure a successful and accurate implementation. Due to previously understaffed level at the Business Office, we will be working to finalize the transition in the summer so that we can be ready for the 2014-2015 fiscal year.

Target Date: 9/30/2014 **Status:** Partially Implemented

Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Verify training was provided and included emphasis that student accounts must have student officers that are partially responsible for the decision making of the group they represent in order to be considered student activity.

Validation Results:

Obtain the PowerPoint presentation of the training that was provided. Noted that the presentation include details explaining what is required in ordered make expenditures from the student activity fund (865). Also, for more details around the ongoing work with the Kev Group reference Record Number 43.

Remaining Action Needed By Management:

Finalize ongoing work with Kev Group and implementation of new activity fund processes and system.

ID: 62	Audit: Student Activity Fund	Report Date: 11/14/2013	Owner: Business Office
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Finding: Palo Alto's Quicken accounts – Needs Improvement
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Detailed Finding:

The set of Quicken books at Palo Alto is unique compared to all of the other campuses. At all campuses except Palo Alto, a single Quicken primary account is established for each bank account. Quicken sub-accounts (the "Category" field) are used to account for the separate student/campus activity groups at all campuses, including Palo Alto. However, at Palo Alto, additional secondary accounts have been established for each student/campus activity group. Dual offsetting entries are recorded on the primary account and on the applicable secondary student/activity group accounts.

The Palo Alto principal and secretary could not explain the purpose of the dual entry system. There is a risk that the balances in each primary account sub-account do not agree with the applicable secondary accounts for student/activity groups and the incorrect balance could be relied upon when determining available funds.

Only the Quicken primary account is used for Pal Alto's monthly bank reconciliations and for inclusion in the District's annual journal entry.

Recommendations:

The Business Office should provide direction to Palo Alto's principal and secretary to ensure a single Quicken set of books is maintained consistent with the other campuses.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014	Status: Implemented
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Validation Procedures:

Reference Record Number 59

Validation Results:

Reference Record Number 59. Noted that Palo Alto's Principal and secretary was included.

Remaining Action Needed By Management:

Not Applicable

ID:	63	Audit:	Student Activity Fund	Report Date:	11/14/2013	Owner:	Business Office
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Finding: General Accountant's review – Unsatisfactory

Detailed Finding:

Evidence of the General Accountant's review of monthly bank reconciliations and Activity Fund transaction reports was not documented. Review of monthly bank reconciliations and Activity Fund transaction reports, as required by the manual (Chapter 1) is critical in the timely identification of errors and potential irregularities.

Recommendations:

The Business Office personnel responsible for reviewing Activity Fund bank reconciliations should document the review by signing and dating the bank reconciliation and transaction reports. Also, see observation for bank reconciliation recommendation.

Management Response:

Reference the Management Response at Record Number 43.

Target Date: 9/30/2014 **Status:** Implemented

Validation Procedures:

Although Management provided a general response within Appendix A on the Campus and Student Activity Funds Internal Audit Report further validation procedures are required to ensure reasonable action has been taken to mitigate risk associated with this finding.

Obtain evidence that the General Accountant is reviewing the Activity Fund Bank reconciliation and is documenting the review.

Validation Results:

Obtained evidence of a checklist that is now completed by the General Accountant monthly for the activity fund bank reconciliations for each campus. Reviewed the checklist for September 2013 from South San High school. Noted that checklist documents the General Accountants review of the reconciliation and any comments or concerns he may have with respect to reconciliation.

Remaining Action Needed By Management:

Not Applicable

ID:	64	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
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Finding: Cash Receipts – Needs Major Improvement

Detailed Finding:

Recommendations:

A review of the process controls should be performed by management with all individuals involved in the cash receipts process. Routine training should be given to all individuals working athletic events.

Management Response:

N/A

Target Date:		Status:	Partially Implemented
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Validation Procedures:

Inquire as to whether routine training is given to all individuals working athletic events.

Validation Results:

The only training provided in 2014 was on an individual basis. A copy of the documentation that was used was provided to the auditor.

Remaining Action Needed By Management:

Routine training should be provided to all individuals working athletic events. Currently, only new workers have training.

ID:	65	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
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Finding: Cash Receipts – Needs Major Improvement

Detailed Finding:

Recommendations:

Any new workers should be trained prior to working an event.

Management Response:

N/A

Target Date:		Status:	Implemented
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Validation Procedures:

Inquire as to whether new workers are trained prior to working an event.

Validation Results:

Per inquiry, new workers are trained prior to working an event. Auditor was provide an example of documentation of training.

Remaining Action Needed By Management:

Not Applicable

ID:	66	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
Finding:	Cash Receipts – Needs Major Improvement						
Detailed Finding:							
Recommendations:	The checklist provided in the original training should be utilized by the Business Office Designee, the Ticket Seller and the Athletic Center Designee to ensure adherence to all process steps and controls.						
Management Response:	N/A						
Target Date:		Status:	Implemented				
Validation Procedures:	Inquire whether the checklist provided in the original training is utilized by the Business Office Designee, the Ticket Seller and the Athletic Center Designee.			Validation Results:	Per inquiry, a checklist is utilized by the Business Office Designee, the Ticket Seller and the Athletic Center Designee.		
Remaining Action Needed By Management:	Not Applicable						

ID:	67	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
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Finding:	Cash Receipts – Needs Major Improvement
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Detailed Finding:

Recommendations:

The Game Report should be prepared for all home football games in a timely manner. For the rental of the athletic center facilities, game reports should be prepared timely and amounts owed renters processed.

Management Response:

N/A

Target Date:		Status:	Implemented
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Validation Procedures:

Inquire as to whether game reports are prepared for home football games and athletic center rentals.

Validation Results:

Per inquiry, a game report is prepared for home football games and athletic center rentals. The auditor was provided an example of game reports for a home football game and a rental game.

Remaining Action Needed By Management:

Not Applicable

ID:	68	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
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Finding:	Cash Receipts – Needs Major Improvement
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Detailed Finding:

Recommendations:

Presale tickets for away games should follow the same procedures as presale of home games.
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Management Response:

N/A

Target Date:		Status:	Implemented
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Validation Procedures:

Inquire as to whether presale tickets for away games follow the same procedures as presale of home games.

Validation Results:

Per inquiry, the same procedures are followed for presale tickets for away games. An example of a completed form was provided to the auditor.

Remaining Action Needed By Management:

Not Applicable

ID:	69	Audit:	Athletic Center	Report Date:	12/9/2011	Owner:	Business Office
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Finding:	Operating Cash Disbursements – Needs Major Improvement
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Detailed Finding:

Exceptions noted related to payments for individuals hired to work at athletic events which were not approved by the athletic coach, Athletic Center director or designee.

Recommendations:

The control for proper authorization should be re-communicated to the coaches and athletic center personnel. The business office should not process payments without evidence of proper approvals.

Management Response:

N/A

Target Date:		Status:	Implemented
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Validation Procedures:

Inquire as to the controls in place to ensure the business office does not process payments to individuals who work at athletic events without evidence of proper approvals.

Validation Results:

Per inquiry, pay sheets are used to verify individuals who work athletic events. An example of an official pay sheets was provided to the auditor.

Remaining Action Needed By Management:

Not Applicable

ID: 70	Audit: Athletic Center	Report Date: 12/9/2011	Owner: Business Office
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Finding: Personal Identifiable Information for Cash Disbursements – Needs Major Improvement

Detailed Finding:

It was observed during the operating cash disbursements testing above that the Athletic Office Officials Fee Receipt form used to record officials, scorers, timers, and other workers for athletic events includes a field for social security number. The form is completed by, and available to, multiple individuals placing at risk the security/confidentiality of personal identifiable information.

Recommendations:

Remove the social security number field from the Athletic Office Officials Fee Receipt form. Utilize W-9 forms to document and retain the personal identifiable information in a secure manner.

Management Response:

N/A

Target Date:		Status:	Implemented
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Validation Procedures:

Inquire as to whether the social security number field from the Athletic Office Officials Fee Receipt form has been removed.

Validation Results:

Per inquiry, the social security number field has been removed. An example of an Athletic Office Officials Fee Receipt form was provided to the auditor.

Remaining Action Needed By Management:

Not Applicable