



June 27, 2012

To: San Diego Unified School District

From: Christy White, CPA

Re: Preliminary Audit Findings, 2011-12 Fiscal Year

We have completed interim audit procedures performed in the Spring of 2012 in the following areas:

- ✓ Schoolsite attendance including instructional minutes: tested 30 sites
- ✓ Associated Student Body (ASB) accounting: tested 24 sites
- ✓ After School Education and Safety: tested 6 sites
- ✓ Cash Receipting at the Child Development Centers: tested 4 sites
- ✓ Cash Receipting at the District Office
- ✓ Payroll Internal Controls
- ✓ Cash Disbursement Internal Controls
- ✓ Inventory and Work Order Internal Controls at PPO

The results of our tests are enumerated below. These comments are provided for your information only and do not necessarily represent findings that will appear in the final audit report.

ATTENDANCE

In our attendance testing, our main objective is to ensure that the District is in compliance with all State attendance accounting requirements. We select samples of students to verify that ADA is properly recorded in the system by tracing back to original source documents and by tracing absence notes into the system to ensure that they are properly recorded as absences. We verify that students are enrolled for a minimum day and that only full-day absences are reported as absences. We also tested other areas, such as annual instructional minute requirements and policies and procedures with respect to short-term independent study, continuation education and Pertussis immunization. The following table summarizes the results of the attendance reporting and independent study segment of the audit, followed by our conclusions on the next page.

Attendance Table:

Schoolsite Visited	Attendance Reporting Results			Independent Study Results			Kindergarten Continuance	
	Total Days Tested	Days (Overstated)/ Understated	% Error in Population	Total Students Contracts Tested	Contracts in Error	Days (Overstated)/ Understated	Total Students Tested	Contracts in Error
Alcott Elementary	20	0	0%	N/A	N/A	N/A	1	0
Bell Middle	20	0	0%	5	0	0	N/A	N/A
Chavez Elementary	20	0	0%	7	2	-15	N/A	N/A
Correia Middle	15	0	0%	N/A	N/A	N/A	N/A	N/A
Cubberely Elementary	20	0	0%	4	0	0	2	0
Fletcher Elementary	25	1	4%	2	1	(4)	1	0
Freese Elementary	20	0	0%	4	0	0	N/A	N/A
Garfield High	70	0	0%	N/A	N/A	N/A	N/A	N/A
Hage Elementary	20	1	5%	5	0	0	1	0
Hickman Elementary	20	0	0%	5	1	(5)	5	0
Hoover High	20	0	0%	5	0	0	N/A	N/A
Juarez Elementary	20	0	0%	5	0	0	5	0
Linda Vista Elementary	20	0	0%	5	1	(5)	4	0
Mann Middle	15	0	0%	5	0	0	N/A	N/A
Marcy School	10	0	0%	N/A	N/A	N/A	N/A	N/A
Mark Twain Senior High	70	0	0%	N/A	N/A	N/A	N/A	N/A
Mark Twain Senior High Ind Study	N/A	N/A	N/A	12	0	0	N/A	N/A
McKinley Elementary	25	0	0%	5	0	0	1	0
Mission Bay High	15	0	0%	6	1	(4)	N/A	N/A
Mt. Everest Independent Study	N/A	N/A	N/A	12	0	0	N/A	N/A
Muirlands Middle	15	1	7%	5	1	(1)	N/A	N/A
Point Loma High	20	0	0%	5	0	0	N/A	N/A
Rolando Park Elementary	20	0	0%	4	1	(1)	2	1
Rosa Parks Elementary	30	0	0%	5	0	0	1	0
Toler Elementary	20	0	0%	3	0	0	2	0
University City High	10	0	0%	5	0	0	N/A	N/A
Wangenheim Middle	10	0	0%	5	1	(1)	N/A	N/A
Wilson Middle	15	(1)	-7%	2	0	0	N/A	N/A
Zamorano Elementary	20	1	5%	3	0	0	2	0
TOTALS	605	3	0%	124	9	-36	27	1
				% Contract Errors	7%		% Contract Errors	4%

Site Attendance (Zangle)

Absence notes and other source documents of attendance should be correctly posted to the District's attendance system per Education Code Section 46000 et seq. Overall, the attendance reporting error rate netted to 1%. At the time of our visit, we requested the attendance clerks to correct any errors found so that the P2 attendance report would be correct. Overall the system controls appear to be effectively working except for isolated issues at the sites listed below:

Fletcher Elementary

- 1 out of 15 tardy notes tested had a student marked absent for the entire day, the Zangle system should have shown the student as present.

Hage Elementary

- 1 out of 10 tardy notes tested had a student marked absent for the entire day, the Zangle system should have shown the student as present.

Site Attendance (Zangle), continued

Muirlands Middle School

- 1 out of 15 tardy notes tested had a student marked absent for the entire day, the Zangle system should have shown the student as present.

Wilson Middle School

- 1 out of 15 absent notes tested had a student marked present for the entire day, the Zangle system should have shown the student as absent.

Zamorano Elementary

- 1 out of 15 tardy notes tested had a student marked absent for the entire day, the Zangle system should have shown the student as present.

Effect: The District understated a net of three days of attendance, which appears to be isolated and very minor. The District made the requested changes and revised P-2.

Recommendation: We recommended the District Attendance Department review with the Attendance Clerks the importance of reviewing tardy and absence logs daily and ensuring that attendance is recorded correctly.

Short-Term Independent Study Contracts

For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). The contract error rate of 7% is an increase from the prior year error rate of 2%. Despite holding trainings in November 2011, which roughly 150 employees attended, we noted the following internal control deficiencies:

Chavez Elementary:

- Of 7 contracts tested, 3 contained the following errors:
 - 2 of 7 did not have teacher signatures on the contracts.
 - 1 of 7 did not have a student signature.

Fletcher Elementary:

- Of 2 contracts tested, 1 contained the following errors:
 - 1 of 2 was for 4 days, which is one day below the required 5 days.

Hickman Elementary:

- Of 5 contracts tested, 2 contained the following errors:
 - 2 out of 5 contracts had recorded signatures after the contract date had begun.

Linda Vista Elementary:

- Of 5 contracts tested, 1 contained the following error:
 - 1 out of 5 did not have the student sign the contract.

Short-Term Independent Study Contracts, continued

Mission Bay Middle School:

- Of 6 contracts tested, 1 contained the following errors:
 - 1 of 6 contracts did not contain a parent's signature.

Muirlands Middle School:

- Of 5 contracts tested, 1 contained the following errors:
 - 1 out of 5 contracts selected did not give the correct amount of attendance days for apportionment credit. The student should have received 6 days of credit, but was given 7 days of credit.

Rolando Park Elementary School

- Of 4 contracts tested, 1 contained the following errors:
 - 1 out of 4 contracts lacked the signature indicating that the teacher had evaluated work samples.

Wangenheim Middle School

- Of 5 contracts tested, 1 contained the following errors:
 - 1 out of 5 contracts selected did not give the correct amount of attendance days for apportionment credit. The student should have received 10 days of credit, but was given 11 days of credit.

Procedures were not fully followed to obtain all required elements of the independent study agreement on or before the independent study start date. The errors found were within the short-term independent study program only. This results in a loss of apportionment funding for days of attendance related to deficient independent study contracts. The District made the changes and revised P-2.

Recommendations: We recommend that the District revise the Period 2 and Annual attendance reports and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract. ADA associated with these contracts must be excluded from the P2 and Annual attendance reports.

Kindergarten Continuance

Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten. We found that 4% of the kindergarten retention forms were insufficient to claim apportionment for the days generated after one full year of kindergarten, which is a decrease from the prior year error rate of 11%. Through our testing of the school site instructional minutes calculations, we noted the following internal control deficiencies:

Rolando Park Elementary School:

- 1 out of 2 Kindergarten Continuance forms tested lacked a signed parental agreement to continue form.

Effect: Possible misstatement of Average Daily Attendance by the District. In the case of Rolando Park Elementary, the pupil had reached the kindergarten anniversary as of September 6, 2011. The site had not obtained parental agreement as of the audit date, March 2, 2012. This finding will require follow-up work at year-end to determine the material effect once Revenue Limit has been determined.

Recommendation: All students continuing kindergarten after one year of enrollment need a completed and signed parental agreement form in order for the pupil to continue kindergarten. This form must be signed in order for the District to be in compliance with the State per Sections 14502.1, 14503 and 41020, Education Code.

ASSOCIATED STUDENT BODY (ASB)

We perform tests of controls over ASB accounting to determine that an adequate system of internal controls has been established and is being followed. We test samples of cash receipts at each school, looking for the largest sources of revenue. We trace transactions from their inception to the deposit in the bank, ensuring that a complete audit trail exists. We also test the cash disbursement process to determine whether ASB funds are properly authorized and spent according to appropriate District guidelines for use of student funds.

Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

We audited 24 ASBs at the school sites selected for testing in fiscal year 2011-12. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization. Through our testing of 24 school site ASB accounts, we noted the following internal control deficiencies:

Correia Middle School

- 3 out of 12 cash receipts did not have adequate supporting documentation to reconcile actual proceeds with amounts collected and deposited.

Muirlands Middle School

- 8 out of 15 cash receipts did not have adequate supporting documentation to reconcile actual proceeds with amounts collected and deposited. Examples of these deposits included magazine sales, carwash sales, online yearbook sales, and scholarship sales.
- Physical safeguards over cash are inadequate as the safe stays unlocked all day when the ASB bookkeeper is in the office.

Point Loma High School:

- Expenditures lack appropriate supporting documentation. 1 out of 14 disbursements was missing an invoice or receipt to support the disbursement.

Wangenheim Middle School:

- Revenue potentials are not completed properly and do not evaluate the results of the fundraising event.
- 4 out of 15 cash receipts tested lack adequate supporting documentation such as tally sheets, inventory count sheets, or sales reports to support the amount of sales/collections. These fundraising events included yellow gram sales, sports drink sales, band jacket sales, and See's Candy/eBook sales.

ASSOCIATED STUDENT BODY (ASB), continued

Wilson Middle School:

- A budget is not prepared or adopted by Student Council.
- 8 out of 10 cash receipts tested lack adequate supporting documentation such as tally sheets, inventory count sheets, or sales reports to support the amount of sales/collections. These fundraising events included uniform sales, theater ticket sales, student store sales, dance concession sales, and snack bar sales.
- Revenue potentials are not prepared.
- Expenditures lack appropriate supporting documentation. 1 out of 10 disbursements was missing an invoice or receipt to support the disbursement.

Universal City High School:

- 2 out of 15 cash disbursements did not have proper signatures from the principal & financial clerk.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. It is important Middle and High School use budgets and revenue potentials to obtain proper approval for fundraising events. Proper controls over cash receipting and cash disbursements are important for proper safeguarding of assets.

INTERNAL CONTROL

Cash Receipts

Proper internal controls are necessary to ensure the safeguard over the Child Development Center (CDC) assets. Maintaining sound internal control procedures over cash receipts reduces the opportunity for irregularities to go undetected. Through our testing of the school site Child Development Center cash receipts, we noted the following internal control deficiencies:

Carson Child Development Center

- 2 out of 5 cash receipts did not have adequate supporting documentation such as Baby Sitter Receipts (BSRs) or manual receipts.

Mead Child Development Center

- In the testing of cash receipts, Baby Sitter Receipts (BSRs) account for over 80% of all receipts per deposit. Auditor noted through inquiry that there is no follow-up with Baby Sitter to verify BSR receipts and that many receipts were not properly filled out and signed. There is a new clerk starting and the old clerk had issues with the procedures in place. The previous clerk had unorganized documentation and unclear cash receipts for parents who did pay. Audit trails were messy and in the case of one receipt (#1069006), auditor noted that the amount was accounted for two different students. Auditor noted that the cash received appears to be hitting the bank so there are no findings with regards to that matter. Auditor will propose the following recommendations below.

There appears to be insufficient controls child development center cash receipts, which allows for the potential for irregularities in accounting to go undetected. Our audit included an evaluation of internal control procedures over cash receipts. A detailed report of our findings by individual school site has been provided to the District for necessary follow-up.

Recommendation: Despite the District holding several trainings for administrators, payments for school services should be clearly documented to directly reconcile with their cash deposits, and Accounts Receivable reports from QuickBooks should be run frequently to keep track of customers who have delinquent accounts.

Property Plant and Equipment Work Order System

Proper internal controls are necessary to ensure that Physical Plant Operations (PPO) employees record accurate and reliable information in the work order system. Maintaining sound internal control procedures over work order recordkeeping reduces the opportunity for irregularities and shrinkage to go undetected, and ensure that system information is reliable. Through our testing of the TMA work order processing system, we noted the following deficiencies:

- 14 out of 80 work orders selected from the year-to-date work order listing appear to be recorded in the system using inaccurate information. 11 of the aforementioned inventory items did not have a completion and were incorrectly left open, while the remaining 3 incorrectly charged no time or materials to the closed work order.

Property Plant and Equipment Work Order System, continued

It appears that there are insufficient controls over the work order reporting process and a lack of oversight. This can lead to an increased potential for reports and information obtained from the TMA system to lack integrity. In addition, there is an increased potential for irregularities and shrinkage in inventory valuation to go undetected.

Recommendation: We recommend the Lead follow up with the Technician on the work order to ensure completion dates along labor and materials are correctly charged to the job.

OTHER STATE COMPLIANCE

After School Education and Saftery (ASES)

Chavez Elementary School

Finding: In testing Chavez Elementary School, we found that 2 out of 82 student attendance days tested were understated for the before school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.

Recommendation: We recommend that that the District continues to provide oversight and training to staff responsible for running the ASES program regarding the importance of accurate and legible recordkeeping. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

Fletcher Elementary School

Finding: In testing Fletcher Elementary School, we found that 1 out of 79 student attendance days was understated for the after school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for running the ASES program regarding the importance of accurate and legible recordkeeping. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

Hancock Elementary School

Finding: In testing Hancock Elementary School, we found that 1 out of 84 student attendance days was overstated for the before school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for running the ASES program regarding the importance of accurate and legible recordkeeping. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

After School Education and Saftery (ASES), continued

Linda Vista Elementary School

Finding: In testing Linda Vista Elementary School, we found that 8 out of 67 student attendance days were overstated and 1 out of the 67 student attendance days was understated in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for running the ASES program regarding the importance of accurate and legible recordkeeping. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

The District has made significant improvements over the prior year findings in the Internal Control areas. We still need to complete the audit in the following areas:

- Cold Storage Inventory – Mid June 2011
- Federal Compliance – July 2011
- Financial Statements – September/ October 2011

These recommendations will be reviewed at the end of our audit to determine whether any improvements have been made. Materiality of the findings will be considered before a decision is made as to whether the comments will be included in the final audit report.

We would like to extend our appreciation to the people at the school sites and at the District Office for their cooperation during our audit. If you have any questions about this letter, please feel free to contact Heather Daud, Director or Christy White, Partner.

Christy White Accountancy Corporation

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