



## Audit and Finance Committee

December 11, 2012

Members of the Board of Education  
San Diego Unified School District  
4100 Normal Street, Room 2231  
San Diego, California 92103

Dear President Evans and Members of the Board of Education,

On behalf of the members of the Audit and Finance Committee, I am pleased to present the Audit and Finance Committee response to the district Report on Audit of Financial Statements and Supplementary Information Including Reports on Compliance for Fiscal Year 2011-12.

The Audit and Finance Committee met five times between January and December 2012. The Committee received periodic progress reports on the 2011-12 External Audit and Internal Audit reports. Reports on special topics such as the Internal Audit Hotline were also heard. Audit Recommendations from previous years are tracked and periodic implementation reports have been provided to the Committee.

We have reviewed a draft of the final 2011-12 audited financial statement and discussed the management response to each of the six findings of the Audit team. The district has not been diligent in implementing findings from prior years. Out of six prior year (FY 2010-11) findings, only two have been fully addressed and solutions implemented, and the remaining four items – ASB (2012-1), Cash Receipting at CDC's (2012-2), Physical Plant Operations Inventory and Work Orders (2012-3), and Short-term Independent Study (2012-5) – were carried over to the 2011-12 audit report. Although staff is working on solutions for the remaining items, it is the Committee's goal to eliminate such findings altogether. We urge staff to make this goal a priority by creating stronger controls and providing a plan of action to this Committee for review.

The Committee commends the district finance staff for receiving an unqualified opinion from the external auditors, which is the best opinion a school district can receive, as well as completing the audit on time and meeting state deadlines for the eighth year in a row. Each year the audit process has become easier and clearer.

Although the audit findings outline certain internal control issues, we are pleased to report that for the second consecutive year the auditors did not find any instances of Federal noncompliance. This shows significant improvement over prior years' audits. It is also notable that two of the current findings have already been fully addressed and solutions implemented by staff.

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Additionally, in previous years the Committee expressed concern about the accountability of district management staff in addressing repeated audit findings related to personnel time accounting. The Committee commends the payroll department for addressing these time accounting issues by implementing a compliance program and we are pleased that this has not been a finding on the past two audits.

There are other areas that still need correction. The District budget reductions have had an impact on internal control. A common management response to an audit finding is to put blame on staff turnover. Management accountability needs to be addressed. If an ASB advisor, an attendance clerk, or a cash receipts clerk is new to their position, ultimate responsibility lies with the next higher level of management to insure district policies are followed. However, it is the expectation of this Committee that the managers and employees all need to be held measurably accountable for the jobs they are taking.

On Friday, November 30, 2012, the Committee unanimously agreed to recommend that your Board accept and approve, the Independent Auditors Report for 2011-12 and concurs with the recommendations contained in the audit findings.

Sincerely,



Dan McAllister  
Chair

Attachment

2012 Audit Findings

2012-1 Associated Student Body (ASB) Internal Controls (**Repeat**)

2012-2 Cash Receipting at the Child Development Centers Internal Controls  
(**Repeat**)

2012-3 Physical Plant Operations (PPO) Inventory and Work Order Internal  
Controls (**Repeat**)

2012-4 Accounts Payable Accrual (**Implemented**)

2012-5 Short-Term Independent Study Program Attendance (**Repeat**)

2012-6 After School Education and Safety Program Attendance (**Implemented**)