



Audit and Finance Committee

December 13, 2016

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

Dear President McQuary 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 2015-16.

The Audit and Finance Committee met five times between January and December 2016. The Committee received progress reports on the 2015-16 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 2015-16 audited financial statements and discussed the management response to each of the three findings of the External Audit team. The district has been diligent in implementing solutions resolving findings from prior years. Out of three prior year (FY 2014-15) findings, ##### have been fully addressed and solutions implemented, and the remaining ##### items – _____ – were carried over to the 2015-16 audit report. Although there are repeat items, compared to prior years, the magnitude of the findings have shown marked improvement on the financial impact to the district. It is the Committee’s goal to eliminate such findings altogether and we continue to 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 **unmodified opinion** of the district’s financial statements 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 eleventh year in a row.

This is the second year working with the new audit firm, Crowe Horwath, LLP, and the committee members and district staff are extremely pleased with their work. Although the audit findings outline certain internal control and state compliance issues, we are pleased to report that for the fifth consecutive year the auditors did not find any instances of Federal noncompliance. This shows significant improvement over prior years’ audits.

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While there are other areas that need correction, the steady progress made by staff over the past six years has shown a significant decrease in the findings by the external audit firm. The auditors did find a significant deficiency regarding the restatement of accreted and accrued interest on the general obligation bonds. This deficiency resulted in an understatement on the government wide financial statements of over \$104 million, however this deficiency does not impact the general fund and will be corrected as of June 30, 2015.

The Committee is particularly impressed with the decreased number of findings in the ASB accounts. The Finance Department and Internal Audit staff have implemented multiple training classes and resource materials for school staff and students over the past year, to insure the proper procedures and district policies are followed. It is the expectation of this Committee that with continued training and staff support the managers, employees, and student representatives will continue to show improvement when taking on their responsibilities.

On Monday, November 28, 2016 the Committee unanimously agreed to recommend that your Board accept and approve, the Independent Auditors Report for 2015-16 and concurs with the recommendations contained in the audit findings.

Sincerely,



Dan McAllister
Chair

Attachment

