

25 January 2017

Members, Audit and Finance Committee

Cindy Marten
Superintendent of Public Education
San Diego Unified School District
4100 Normal Street
San Diego, CA 92103-2682

The Office of Internal Audit (OIA) presents to you our quarterly report of activities and accomplishments for the period 1 October through 31 December 2016. This report fulfills a requirement contained in Administrative Procedure 2370, *Office of Internal Audit*,¹ for OIA to report quarterly on its activities. The audits, evaluations, and administrative investigations conducted by the OIA assist the managers of the San Diego Unified School District (District or SDUSD) to improve the program delivery, transparency and accountability for its funding and programs. Our work assists the District in accomplishing its goals outlined in the *Vision 2020 Statement*.

During this reporting period we issued six reports, received 34 Hotline complaints and closed 16 Hotline investigations, which included 1 complaint and investigation received outside of the Hotline contractor's system. We continued with our audit work on the District's Purchase Card program and a District-wide review of the reliability of time and attendance reporting. Additionally, we are continuing with our follow up reviews of prior reports to determine whether the agreed upon recommendations have been implemented.

Tables 1 through 6 on the following pages provide data on the work undertaken by OIA during the reporting period. Tables 1 and 2, respectively, provide data on the final reports issued during the quarter and the work that we have underway. Tables 3 through 6 provide: summaries of the Hotline complaint inventory, disposition of the complaints closed during the reporting period, the types of issues addressed by the complaints for the reporting period, and the complaints received during the reporting period with comparative reporting data for the same period in 2015.

Internal Audit Activities

OIA staff spent the reporting period by continuing our fieldwork and testing of Purchase Card transactions at schools and central office organizations. The objective of this review is to evaluate whether the District complied with the policies and procedures for the use of the Purchase Card. This project was carried over from our fiscal year 2016 (FY-16) annual work plan.

OIA auditors, recently, began the fieldwork for our District-wide audit of the reliability of time and labor reporting. This audit will include testing and documentation reviews at a sample of schools and central

¹ Administrative Procedure 2370, *Office of Internal Audit*, section C.3.I.

office organizations. Our objectives are to determine whether the practices in place, at the schools and central office organizations, provide a reasonable assurance that the time and labor data is accurately reported and in compliance with the District's policies and procedures for time and labor reporting. We carried this project over from our FY-16 annual work plan.

OIA continues to conduct follow-up reviews of recommendations that were previously agreed to by management. Our objective is to determine whether the agreed upon recommendations were effectively implemented. These reviews have been included in both our FY-16 and FY-17 annual work plans.

Our work on the Hotline complaints continues, although not at the same pace as the previous reporting period. As of 31 December, the Hotline inventory includes 117 outstanding complaints a net increase of 19 complaints from our 30 September ending balance of 98. Tables 3 through 6 provide numerical data on the status of the hotline and the numbers and types of complaints received. Tables 5 and 6 provide detailed data on the types and numbers of complaints received with comparative data for the same reporting period in 2015.

Should you have any questions on this report or the operations of the Office of Internal Audit, please contact me at 619.725.5696.



John M. Cashmon
Director, Internal Audit

cc: Members, Board of Education
Andra Donovan, Esq., General Counsel
Staci Monreal, Chief of Staff

**Office of Internal Audit
Activities During the Period
1 October through 31 December 2016**

Table 1 – Completed Projects as of 31 December 2016

Report Title	Release Date	Recommendations	Questioned Costs ^a	Funds Put to Better Use ^b
iHigh Virtual Academy – Review of Time and Labor Costs – School Year 2016 (Report No. 17-01)	21 October 2016	5	\$ 17,673	0
iHigh Virtual Academy – Review of Time and Labor Costs – School Year 2015 (Report No. 17-02)	21 October 2016	5	83,754	0
Finance Division - Follow-up of the Audit of Medical and Dental Insurance (Report No. 17-03)	17 November 2016	4	983,517	\$559,343
Finance Division – Management Letter: Employee Medical and Dental Insurance Benefits (Report No. 17-04-R)	17 November 2016	2	8,997	0
Follow-up Review – Serra High School: Review of the Financial Operations of the Serra Football Booster and Related Hotline Allegation (Report No. 17-05)	18 November 2016	0	0	0
Follow-up Review – Zamorano Elementary School: Review of the Associated Student Body Fund Financial Operations	9 December 2016	0	0	0
Total Recommendations, Questioned Costs, Funds Put to Better Use		16	\$1,093,941	\$559,343

Source: OIA analysis

Notes: ^a Questioned Costs: This term includes amounts the auditors questioned because of an alleged violation of law, regulation, District policy, or administrative procedure. The amounts also include findings that an expenditure is not supported with adequate documentation; or the expenditure appears to be excessive or unreasonable are included within the questioned costs.

^b Funds be put to Better Use: Estimates of the amount of funds that could be used more efficiently if the OIA recommendation is implemented.

Table 2 – Ongoing Projects as of 31 December 2016

Project Working Title	Status
Districtwide – Audit of the Purchase Card Program	Fieldwork and Reporting
Districtwide – Audit of the Reliability of Time and Attendance Reporting	Fieldwork
Follow-up Review – Taft Middle School: Review of Selected Financial Operations, (Report No. 15-02)	Fieldwork
Follow-up Review – Roosevelt Middle School: Physical Controls and Security for Associated Student Body Fund Receipts (Report No. 15-03-R)	Fieldwork
Follow-up Review – Cadman Elementary School: Review of Selected Financial Operations (Report No. 15-04)	Fieldwork
Follow-up Review – Hawthorne Elementary School: Review of Selected Financial Operations (Report No. 15-05)	Fieldwork
Follow-up Review – Bethune K-8 School: Review of Associated Student Body Fund Financial Operations (Report No. 16-01)	Fieldwork

Source: OIA analysis

Hotline Activities During the Period 1 October 2016 through 31 December 2016

The District's Hotline Program (Program) provides employees and the general public with a central location to raise complaints related to potential issues of fraud, waste, and abuse in the District's programs and activities. The District contracted with an ethics and hotline reporting service provider for the Program. The contract with the District provides employees and the public with 24 hour access to operators who are trained in taking hotline complaints. Our contractor provides a web page for individuals who wish to report their complaint through the internet. Both the telephone and internet method of filing complaints allows the individual to remain anonymous should they desire to do so. The contractor maintains a database that allows us to track investigations and that status of individual complaints.

For complaints received via the telephone the contractor provides OIA with a detailed summary of the complaint and the issues raised by the individual. For complaints received through the internet the data provided by the individual is formatted into the report format provided to OIA. In many instances the complaints will include multiple allegations. We do not track the individual allegations, but address each allegation during our investigation of the complaint. We track each complaint as a single unit; our reports to you reflect only the complaints and not the multiple allegations that may be included in the complaints.

For complaints that fall outside of OIA's investigative purview, we refer them to the appropriate District department, office, or school for review and action they may deem as appropriate. OIA maximizes the effectiveness of our complaint investigations by evaluating the complaint at different stages of the investigative process. We conduct an initial screening of the complaint to determine whether the complaint falls within our investigative limitations and has sufficient data to begin an investigation. For those complaints where the complainant provided contact information we may contact them to clarify our understanding of the complaint and obtain additional information. Complaints that do not have sufficient data to open an investigation are closed.

For the complaints passing through the initial screening, an OIA staff member is assigned to conduct a more in-depth investigation. Our general process to conducting the investigation includes (1) developing of an investigative approach; (2) obtaining relevant information through review of documents, electronic records, conduct analytic reviews of the data obtained; (3) conducting in-person and telephonic interviews with the complainant, if known, District employees, contractors, and other individuals who may have relevant information; (4) conducting additional fieldwork in specific areas based on the data obtained from steps 2 and 3; and (5) preparing an investigative summary and reports, when appropriate, for District officials.

In some instances a Hotline complaint or its investigation may become the basis for an audit or evaluation of the District's programs, activities, and functions. In this case, the resolution of the Hotline complaint may be delayed until the audit or evaluation is completed.

Tables 3 through 6 provide the inventory of open complaints and summaries of the Hotline activities conducted during the period 1 October through 31 December 2016. The data in the tables includes both complaints received through the Hotline contractor's system and complaints received and closed by OIA from outside of the established system. The data in the tables includes footnotes which identify when

non-Hotline system complaints are included in the results. Tables 5 and 6 include comparative data on the complaints received for the same reporting period in 2015.

**Table 3 – Hotline Complaint Inventory
As of 31 December 2016**

	Complaints
Open as of 1 October 2016	98
Add: Complaints received from 1 October through 31 December (see Table 6)	34
Subtract: Complaints closed from 1 October through 31 December (See Table 4) ^a	16
Total Open Complaints as of 31 December 2016 ^b	117

Source: Hotline contractor database

Notes: ^a Includes one closed complaint received outside of the Hotline contractor’s system and reporting.

^b Balance reflects the open complaints in the contractor’s database. This number will not agree with the numerical data presented in the table due to the complaints received and closed outside of the contractor’s database.

**Table 4 – Disposition of Closed Complaints
1 October through 31 December 2016**

Status of Closed Complaint	Complaints
Unsubstantiated	8
Outside of OIA Investigative Purview – Referred to Other Departments or Offices	5
Corrective Action Taken	3
Total Complaints Closed as of 31 December 2016 ^a (See Table 3)	16

Source: Hotline contractor database

Notes: ^a Includes closed complaint received outside of the Hotline contractor’s system and reporting.

**Table 5 – Received Hotline Complaints by Issue Type
for the Periods 1 January through 31 December 2016 and 2015**

Issue Type ^a	Received 1 January through 31 December		Difference
	2016	2015	
Theft of Time	11	6	5
Fraud	15	8	7
Employee Relations	15	6	9
Academic Fraud	0	1	(1)
Conflict of Interest	6	4	2
Policy Issues	8	8	0
Substance Abuse	3	1	2
Theft of Goods and Services	5	1	4
Workplace Violence/Threats	2	1	1
Other Issues	6	2	4
Safety/Sanitation	0	2	(2)
Accounting/Auditing Irregularities	0	1	(1)
Fraudulent Insurance Claims	1	0	1
Theft of Cash	0	1	(1)
Wage/Hour Issues	5	2	3
Retaliation against Whistleblowers	1	0	1
Discrimination	1	1	0
Conflict of Interest/Nepotism	1	3	(2)
Total Hotline Complaints Received	80	48	32

Source: Analysis of Hotline Contractor Reporting

Note: ^a Issue type is determined by the Hotline Contractor when the complaint is filed.

**Table 6 – Complaints Received by Month for the Periods
1 January through 31 December 2016 and 2015**

Period	Received 1 January through 31 December		Difference
	2016	2015	
Complaints received from 1 January through 30 September ^a	46	43	3
October	16	2	14
November	13	1	12
December	5	2	3
<i>Complaints Received 1 October through 31 December 2016</i>	<i>34</i>	<i>5</i>	<i>29</i>
Total Received 1 January through 31 December 2016	80	48	32

Source: Analysis of Hotline Contractor Reporting

Note: ^a Quarterly Summary – Internal Audit Activity for the period ending 30 September 2016, 28 November 2016.