

28 November 2016

Members, Audit and Finance Committee

Cindy Marten
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San Diego Unified School District
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This letter presents the work and accomplishments of the Office of Internal Audit (OIA) for the period 1 July through 30 September 2016. OIA provides this letter to you in fulfillment of the requirements of Administrative Procedure 2370, *Office of Internal Audit*, to report quarterly on the work performed by OIA.¹ The audits, evaluations, and administrative investigations conducted by OIA assist the San Diego Unified School District (District or SDUSD) in improving its transparency and accountability for the use of funds, and to assist in meeting the goals outlined in the District's *Vision 2020 Statement*.

During our reporting period the OIA staff concentrated on clearing the backlog of outstanding administrative investigations resulting from Hotline complaints. During the period we closed 69 Hotline complaints. Also, OIA staff began their fieldwork for an audit of the District's Purchase Card (P-Card) program, and obtained information regarding the actions taken on prior audit recommendations.

Our work during the quarter is summarized in Tables 1 through 5 on pages 3 through 5. Table 1 provides brief summary of the projects that are in progress as of 30 September 2016. Tables 2 through 5 provide a summary of the Hotline complaint inventory, complaints received, and complaints that were closed during the quarter.

Internal Audit Activities

During this reporting period the OIA staff were conducting fieldwork and testing of purchase card transactions at selected schools and central office departments. Additionally, OIA staff was undertaking the necessary planning for a District wide review of time and labor (T&L) reporting. This review will include testing T&L reporting at selected schools and central office departments, in addition to reviewing the control environment within the Finance Division and the Human Resources Department. OIA plans to release both of these reports during the third quarter of this fiscal year. Table 1 includes a list of the current projects that were outstanding on 30 September.

The OIA staff made a concerted effort during the period to reduce the number of outstanding Hotline complaints. As of 30 September, OIA had an open inventory of 98 complaints, a net reduction of 69 complaints from 30 June 2016. Tables 2 through 5 provide additional detail on the status of the complaint inventory, disposition of the closed complaints, and the types of complaints received during the

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

reporting period and the calendar year. We provided comparative data for the same reporting period during calendar year 2015.

Should you have any questions on this report or its underlying data, please contact me on 619.725.5696 or jcashmon@sandi.net.



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Director, Internal Audit

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

**Office of Internal Audit
Activities During the Period
1 July through 30 September 2016**

Table 1 – Ongoing Projects as of 30 September 2016

Project Working Title	Status
Finance Division – Follow-up Review of the Audit of Medical and Dental Insurance Costs	Report Released 16 November 2016 (Report No. 17-03)
Finance Division – Management Letter: Employee Medical and Dental Insurance Benefits	Report Released 16 November 2016 (Report No. 17-04-R)
iHigh Virtual Academy – Review of Time and Labor Costs for School Year 2016	Report released on 21 October 2016 (Report No. 17-01)
iHigh Virtual Academy – Review of Time and Labor Costs for School Year 2015	Report released on 21 October 2016 (Report No. 17-02)
District-wide Audit of the Purchase Card Program	Fieldwork
District-wide Audit of Reliability of Time and Labor Reporting	Planning
Follow-up Review – Serra High School: Review of Financial Operations of the Serra Football Booster and Related Hotline Allegations, Report No. 15-01	Report Released 18 November 2016 (Report No. 17-05)
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 at the Roosevelt Middle School, 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 – Zamorano Elementary School: Review of the Associated Student Body Fund Financial Operations	Fieldwork

Source: OIA analysis

Hotline Activities

The District established a Hotline program to provide its employees and the general public with a central location to raise complaints regarding potential fraud, waste, and abuse in District activities. The Hotline is operated on the District’s behalf by a contractor who provides 24 hour access to operators trained in taking Hotline calls. Further, the contractor provides a webpage for individuals who want to report their complaint electronically. Individuals filing complaints through the toll free number or the webpage may remain anonymous.

The Hotline contractor provides OIA with a report outlining the issues raised by the complainant. Many of the Hotline complaints contain multiple allegations. Each of the allegations is addressed as part of our investigations. Each complaint is tracked as a single unit; we do not attempt to track or report on individual allegations contained in the complaints.

In order to maximize the effectiveness of our investigations of the complaints we conduct an initial screening of the complaint. Complaints that fall outside of our investigative purview are forwarded to the appropriate District department or office for review and action they deem as appropriate. For those complaints that we will potentially take action on, we determine whether the complaint provides sufficient data that will allow us to investigate. We will begin a preliminary investigation that addresses each of the complaint’s allegations. This initial investigation determines whether the complaint warrants further review. In cases where the complainant has provided their contact information, we may contact them to obtain additional data.

For the complaints that pass through the initial screening process, an OIA staff member is assigned to conduct a more in-depth investigation. For these investigations we: (1) develop an investigative approach; (2) conduct interviews of relevant employees, contractors, and other individuals who may have relevant information; (3) review available documentation and conduct analytical reviews of the data provided in the District’s records; (4) conduct other investigative fieldwork based on the data obtained; and (5) prepare an investigative summary and report that may be provided to District officials for action as needed.

In some instances the investigative information provided to OIA obtains becomes the basis for audits and evaluations of the District’s programs, activities, and functions.

Tables 2 through 5 below provide summaries of the Hotline activities that OIA conducted during the period 1 July through 30 September 2016. The data provided in these tables includes: the inventory of Hotline complaints as of 30 September 2016, data on the disposition of closed complaints, the hotline complaints by issue type,² and the total number of complaints received each month during the reporting period and comparative data from 2015.

**Table 2 – Hotline Complaint Inventory
as of 30 September 2016**

	Complaints
Open as of 1 July 2016	152
Add: Complaints received from 1 July through 30 September 2016	14
Subtract: Closed complaints during the period 1 July through 30 September 2016 ^a	(69)
Total Open Complaints as of 30 September 2016^b	98

Source: Hotline contractor database

Notes ^a Includes one closed complaint received outside of the contractor database – total closed does not agree with the detail.

^b Total reflects only those outstanding complaints in the contractor’s database.

² The issue types are determined by the Hotline contractor based on the data received in the complaint.

**Table 3 – Disposition of Closed Complaints
for the period ending 30 September 2016**

Type of Disposition	Complaints
Unsubstantiated	52
Outside OIA’s Investigative Purview – Referred to Others	2
Corrective Action Taken	15
Total Complaints Closed as of 30 September 2016	69

Source: Hotline contractor database

Note: Includes one closed complaint received outside of the contractor’s database.

**Table 4 – Hotline Complaints Received by Issue Type
for the Periods 1 January through 30 September 2016 and 2015**

Issue Type	Received 1 January through 30 September		Difference
	2016	2015	
Theft of Time	4	6	(2)
Fraud	10	7	3
Employee Relations	7	5	2
Academic Fraud	0	1	(1)
Conflict of Interest	3	4	(1)
Policy Issues	3	8	(5)
Substance Abuse	1	0	1
Theft of Goods and Services	3	1	2
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	3	1	2
Retaliation Against Whistleblowers	1	0	1
Conflict of Interest/Nepotism	1	3	(2)
Falsification of Company Records	1	0	1
Total Hotline Complaints from Contractor	46	43	3

Source: Analysis of contractor data

**Table 5 – Complaints Received by Month for the Periods
1 January through 30 September 2016 and 2015**

Month	Received 1 January through 30 September		Difference
	2016	2015	
Complaints Received 1 January to 30 June ^a	32	34	(2)
Received in July	2	3	(1)
Received in August	7	0	7
Received in September	5	6	(1)
Total Received 1 January to 30 September	46	43	3

Source: Analysis of contractor database

Note: ^a Quarterly Summary – Internal Audit Activity for the period ending 30 June issued on 28 September.