

July 26, 2016

Members of the Board of Education
San Diego Unified School District
4100 Normal Street, Room 2231
San Diego, CA 92103-2682

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 a summary of the internal audits and reviews issued by the Office of Internal Audit (OIA) for fiscal year 2016 (FY-16).

The Audit and Finance Committee in addition to reviewing the external audit of the San Diego Unified School District's (District) annual financial report, reviews the results of the internal audits and reviews presented to us by the Office of Internal Audit (OIA), and external audits of District programs and operations presented by the Finance Division.

In December of prior years, we have presented to you the results of our review of San Diego Unified School District's (District) annual financial report which is audited by the District's external auditors, most recently Crowe Horwath LLP. This audit focuses on the District's stewardship of the funds provided by the state and Federal governments and other sources. Over the past several years, the District has received an unmodified opinion on its financial statements. At the same time, the District audits' findings have decreased both in number and severity.

The District also examines itself internally through the work done by OIA. OIA is charged with the responsibility of conducting internal audits, reviews, special audits and reporting those results to the Superintendent of Public Education, the members of the Audit and Finance Committee, and the Board of Education.¹ Additionally to assist in improving the transparency of the District's operations, a link to OIA's public reports is included in the District's Audit and Finance Committee and Internal Audit webpages.²

This letter provides you with a summary of the reports issued by OIA during FY-16. You will notice that the scope of the OIA reports is considerably different than that of the annual external audit. The OIA reports are often focused on the systems of internal controls, the stewardship of funds, and the operations at an individual school, group of schools or the departments and offices that make up the District's central office.

In FY-16, OIA issued 12 reports that covered a range of topics including the associated student body (ASB) funds at individual schools, internal controls over time and labor costs, internal controls over the operation and use of District vehicles, the use of the District's purchase cards, and cash receipts and disbursements of ASB funds at a mix of 20 schools. We have included a list of the reports, the number of recommendations for improvement, the recommendations accepted by management, and costs that were questioned as to whether they were appropriate for the specific program or did not have sufficient

¹ Administrative Procedure 2370, *Office of Internal Audit*

² The link to the reports from the Audit and Finance Committee and OIA's webpages is <https://sandiegounified.org/audit-reports>.

documentation to support the costs incurred. Our committee is pleased to find that 90 percent of the recommendations included in the OIA reports have been accepted by management.

OIA's reports in FY-16 and prior years highlighted weaknesses in the systems of internal controls and compliance with the District's administrative procedures. To address these conditions in the area of the ASB funds, OIA worked with the Finance Division to provide training on the controls and use of ASB Funds to key District staff at each of the schools. Additionally, OIA's staff provides assistance to individual school staff with on-site visits and over the phone and via e-mail. OIA, in FY-17, will continue to work with the Finance Division to provide training to school principals, school staff, and the student representatives of the ASB funds on developing effective internal controls and compliance issues for the operation of the ASB funds.

Sincerely,

Dan McAllister
Chair

Attachment

DRAFT

Office of Internal Audit
Audit and Review Products Issued During Fiscal Year 2016

<i>Product Title</i>	<i>Release Date</i>	<i>Recommendations</i>	<i>Recommendations Accepted by Management</i>	<i>Questioned Costs</i>
BETHUNE K-8 ELEMENTARY SCHOOL: Review of Associated Student Body Fund's Financial Operations	8 July 2015	7	7	\$ 8,941
CADMAN ELEMENTARY SCHOOL: Review of Selected Financial Operations	16 July 2015	15	15	11,368
UNIVERSITY CITY HIGH SCHOOL: Review of Time and Labor Costs for the Period 1 July 2013 through 30 June 2014	23 July 2015	4	4	30,628
ZAMORANO ELEMENTARY SCHOOL: Review of Associated Student Body Fund Financial Operations	6 August 2015	8	8	13,718
PACIFIC BEACH ELEMENTARY SCHOOL: Processing and Security of Associated Student Body Fund Assets	28 December 2015	4	4	0
DISTRICT VEHICLES: Review of the Use and Control of District Vehicles	22 March 2016	6	6	0
ASSOCIATED STUDENT BODY FUND: Review of the Use of the Principal's Discretionary Account at Selected Schools	8 April 2016	1	1	124,260
CLARK MIDDLE SCHOOL: Review of the Associated Student Body Fund's Financial Operations	15 April 2016	10	3 ^a	27,333
TEACHER PREPARATION AND SUPPORT DEPARTMENT: Limited Review of Teacher Compensation Costs for Fiscal Year 2015	3 May 2016	3	3	914
ASSOCIATED STUDENT BODY FUNDS: Review of Cash Receipts and Disbursements at Selected Schools	6 June 2016	3	3	0
JOYNER ELEMENTARY SCHOOL: Limited Review of the Associated Student Body Fund and Hotline Complaint	15 June 2016	7	7	9,058
CRAWFORD HIGH SCHOOL: Review of the John F. Haile Memorial Scholarship Funds	20 June 2016	2	2	28,332
<i>Recommendations, Accepted by Management Questioned Costs</i>		70	63	\$254,552

Note: ^a The Clark Middle School Principal did not provide a response to the recommendations for inclusion in the report, as a result it cannot determine if the recommendations were accepted.