

28 September 2016

Members, Audit and Finance Committee

Cindy Marten
Superintendent of Public Education
San Diego Unified School District
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The Office of Internal Audit (OIA) presents to you its quarterly report of activities and accomplishments for the period 1 April through 30 June 2016. We provide this report to you to fulfill the reporting requirements outlined in Administrative Procedure 2370, *Office of Internal Audit*.¹ The audits, reviews and administrative investigations conducted by OIA assist the San Diego Unified School District (District) in improving its accountability for the use of funds, transparency, and to attain the goals outlined in the District's *Vision 2020 Statement*.

During our reporting period we issued six reports.² Our reports included the following subject areas: use of the principal's discretionary funds at nine selected schools; a limited review of compensation costs incurred by a central office department, the review of the financial operations of an Associated Student Body (ASB) Fund at a single school; and a review of the ASB Fund cash receipts and disbursements at 20 selected schools.

OIA's audit, review, and investigative activities are summarized in tables 1 through 6 on pages 3 through 5. Table 1 provides a list of the reports issued during the quarter. Table 2 provides a brief summary of the status of the projects that we have underway as of 30 June 2016. Tables 3 through 6 summarize our work with the District's Hotline during the past quarter.

Internal Audit Activities

During this reporting period our reports included two multi-location audits addressing selected operations of the ASB Fund at the selected schools. Our multi-location reports covered the ASB Funds at 25 individual schools. These multi-location reviews are often labor intensive but provide additional benefits to the District as we can provide to the District's managers a broader view of the operations of the ASB Fund or other activities in a specific areas, than in the reports devoted to a single school or central office department.

Currently, OIA has two multi-location projects in the planning or in fieldwork. The first involves a District-wide review of purchase card transactions, and the second will test the reliability of the reporting of time and labor data and costs for both schools and the central office. We expect to report the results of these audits during the third quarter of fiscal year 2017 (FY-17).

¹ Administrative Procedure 2370, section C.3.I.

² All of OIA's public reports are available at <https://www.sandiegounified.org/audit-reports>.

Hotline Activities

OIA, through a contractor, operates the District's Hotline program. Additionally, we receive complaints alleging fraud, waste, and abuse from sources outside of the Hotline. Tables 3 through 6 provide a summary of the hotline activity during the reporting and calendar year to date. Tables 5 and 6 include comparative data from the prior calendar year for the same period in 2015.

Should you have any questions on this report or the underlying data, please contact me at 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 April through 30 June 2016**

Table 1 - Completed OIA Projects

Product Title	Release Date	Recommendations	Questioned Costs
ASSOCIATED STUDENT BODY FUND: Review of the Use of the Principals Discretionary Account at Selected Schools	8 April 2016	1	\$124,260
CLARK MIDDLE SCHOOL: Review of the Associated Student Body Fund's Financial Operations	15 April 2016	10	27,333
TEACHER PREPARATION AND SUPPORT DEPARTMENT: Limited Review of Teacher Compensation Costs for Fiscal Year 2015	3 May 2016	3	914
ASSOCIATED STUDENT BODY FUNDS: Review of Cash Receipts and Disbursements at Selected Schools	6 June 2016	3	0
JOYNER ELEMENTARY SCHOOL: Limited Review of the Associated Student Body Fund and Hotline Complaint	15 June 2016	7	9,360
CRAWFORD HIGH SCHOOL: Review of the John F. Haile Memorial Scholarship Funds	20 June 2016	2	28,332
Total Reports, Recommendations and Questioned Costs	6	26	\$190,199

Source: OIA analysis

Table 2 - Ongoing Projects

Project Working Title	Status as of 30 June 2016
Associated Student Body Funds: Review of Reimbursements to District Employees	Developing Draft Report
Finance Division: Follow-up Review of the Audit of Medical and Dental Insurance Costs	Awaiting Management Comments
District-wide Audit of the District's Purchase Card Program	Fieldwork
District-wide Audit of the Reliability of the District's Time and Labor Costs	Planning

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 District activities that they believe are fraudulent, wasteful or abusive. The Hotline is operated on the District's behalf by a contractor who provides 24 hour access to operators trained in taking Hotline calls. The contractor provides a webpage for individuals who want to report their complaint electronically. The individuals filing complaints using either process may remain anonymous.

OIA receives a report of the complaint made with the contractor. Many of the complaints we receive include multiple allegations. We address each of the allegations during our investigations. We track each complaint as a single unit. We do not attempt to track or report on individual allegations included in complaint.

As part of our initial complaint screening process, we determine whether it falls within our purview to investigate. Complaints that fall outside of our purview are forwarded to the appropriate department or office for review. We determine whether the complaint provides us with sufficient data that will allow

us to investigate. If the complainant has provided contact information, we may contact them to obtain additional information.

For complaints that pass through our initial screening process, an OIA staff member conducts an assessment of the available data to determine whether further investigation is warranted. For these complaints we: (1) develop an investigative approach; (2) conduct interviews of employees, contractors, and others; (3) review documentation that is provided to us and included in District records, and when necessary conduct analytical reviews of documentation; (4) prepare a summary report of the investigation; and (5) when appropriate, forward our investigative report to the appropriate District official(s) for action as needed. In some instances, the work performed during our investigation will become the basis for an audit or review of a District program, activity or function.

The following tables summarize the Hotline activities that have occurred during our reporting period. These tables include: (1) inventory of open complaints as of 30 June 2016, including the numbers of complaints received and closed during the period; (2) disposition of closed complaints; (3) complaints by issue type with comparative data for the same period in 2015; and (4) complaints received by month with comparative data for the same period in 2015.

Table 3 Inventory of Hotline Complaints

	Complaints
Open as of 1 April 2016	166
Add: Complaints received from 1 April through 30 June 2016	20
Subtract: Complaints Closed from 1 April through 30 June 2016 ^a	36
Open Complaints as of 30 June 2016 ^b	152

Source: Hotline Contractor Database

Note: ^a Includes two closed complaints received outside of the contractor database – total closed does not agree with detail.

^b Total reflects only the complaints contained in the contractor database

Table 4 Disposition of Closed Complaints

Type of Disposition	Complaints
Unsubstantiated	24
Outside of OIA's Investigative Purview – Referred to Others	4
Corrective Action Taken	8
Total Hotline Complaints Closed as of 30 June 2016 ^a	36

Source: Hotline Contractor Database

Note: ^a Includes closed complaints received outside of the contractor database

**Table 5 – Hotline Complaints by Issue Type for 1 January through 30 June 2016
with Comparative Data for 2015**

Issue Type	Received 1 January through 30 June		Difference
	2016	2015	
Theft of Time	4	4	0
Fraud	7	5	2
Employee Relations	5	4	1
Academic Fraud	0	1	(1)
Conflict of Interest	3	3	0
Policy Issues	1	6	(5)
Theft of Goods and Services	4	1	3
Workplace Violence/Threats	1	1	0
Other Issues	3	2	1
Safety/Sanitation	0	2	(2)
Accounting/Auditing Irregularities	0	1	(1)
Theft of Cash	0	1	(1)
Wage/Hour Issues	2	1	1
Retaliation Against Whistleblowers	1	0	1
Conflict of Interest/Nepotism	1	2	(1)
Total Hotline Complaints Received by the Contractor	32	34	(2)

Source: Analysis of Contractor Reporting Data

**Table 6 – Hotline Complaints Received by Month 1 January through 30 June 2016
with Comparative Data for 2015**

Month	1 January through 30 June		Difference
	2016	2015	
Complaints Received from 1 January to 31 March ^a	12	16	(4)
April	5	5	0
May	8	7	1
June	7	6	1
Total Complaints Received 1 January through 30 June	32	34	(2)

Source: Analysis of Contractor Reporting Data Base

Note: ^a Quarterly Summary – Internal Audit Activity for period ending 31 March issued on 23 May 2016