



FINAL REPORT FOR  
**POWAY UNIFIED SCHOOL DISTRICT**  
INTERNAL CONTROLS REVIEW

June 27, 2017

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## I. EXECUTIVE SUMMARY

The Poway Unified School District (the District) requested third-party assistance to review its internal controls framework. The review took place between January and May, 2017 and focused on assessing select key controls in areas deemed important to protecting the District's assets and resources and processing and reporting timely financial information.

The review of internal accounting controls was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. Moss Adams reviewed the District's internal controls for design but did not test those controls for operating effectiveness, which is assumed to be a forthcoming activity.

Specific areas where controls were reviewed included:

- Revolving cash funds
- Payroll and timekeeping
- Use of vacation
- Billing and accounts receivable
- Purchasing and accounts payable
- Travel and conferences
- Purchasing cards
- Consultant contracts
- Overall control environment

The District has internal controls in place for many functions. In particular, the District deserves commendations in certain areas including:

- The Accounting Division performs thorough reviews of Revolving Cash Funds (RCF) reimbursement requests.
- The Accounting Division tracks which sites submit late RCF reimbursements.
- The Payroll Division regularly performs payable time audits.
- The Accounting Division has a detailed review process for Business, Training, and Conference Expense Reimbursement.

Similar to many public entities, there is an opportunity to strengthen policies, procedures, systems, and training. Gaps of varying degrees were discovered in many of the functions reviewed, especially in the case of decentralized operations.

The District can take various approaches in addressing the internal control gaps identified in Section III. While some of these gaps can be easily addressed through the implementation of discrete tasks, other

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gaps will take more time to implement. Depending on the District's internal resources and capacity, the District could consider adding an internal audit function, either employed or contracted by the District, to assist in addressing these gaps. For example, an internal audit function could help address the following:

- Developing policies and procedures
- Testing internal controls (i.e., purchasing cards (p-cards), RCFS, travel expenses, overtime, and billing and accounts receivable)
- Providing best practice guidance (i.e., p-cards, RCFs, travel expenses, overtime, and billing and accounts receivable)
- Assessing performance through department, function, and program assessments focused on improving efficiency and effectiveness
- Implementing and administering a fraud, waste, and abuse program, including hotline

Overall, a holistic approach to internal audit can help the District to strengthen controls, reduce risks, and improve performance.

## II. SCOPE AND METHODOLOGY

The scope of our review included a high-level evaluation of key internal controls throughout the District to determine the general adequacy of enterprise internal controls and identify areas warranting more in-depth review in the future.

The scope of internal controls review included the following aspects:

- Identifying control objectives in specific areas and the controls that would satisfy each control objective
- Reviewing policies and procedures
- Examining relevant documentation in support of select key controls
- Performing control walkthroughs to observe the design of key controls and understand workflow processes
- Obtaining an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or programmed [automated] control, and whether it is a preventive, detective, or corrective control)
- Assessing whether the controls in place would prevent or detect errors
- Providing recommendations on key controls that need to be implemented or changed

The work performed included interviews and walkthroughs with personnel involved in managing functions, processing key accounting transactions, and handling physical assets. Such positions included:

Department / Division	Department / Division
<p><b>Finance Department</b></p> <ul style="list-style-type: none"> <li>• Director</li> <li>• Finance Administrative Assistant</li> <li>• Accountants</li> <li>• Accounting Assistants</li> <li>• Accounting Technicians</li> <li>• Budget Analyst</li> </ul> <p><b>Purchasing Department</b></p> <ul style="list-style-type: none"> <li>• Director</li> <li>• Assistant Director</li> <li>• Senior Buyer</li> <li>• Buyers</li> <li>• Storekeeper</li> </ul>	<p><b>Human Resources Department</b></p> <ul style="list-style-type: none"> <li>• Director</li> <li>• HR Technicians</li> </ul> <p><b>Payroll Department</b></p> <ul style="list-style-type: none"> <li>• Supervisor</li> <li>• Payroll Technicians</li> </ul> <p><b>Extended Student Services Department</b></p> <ul style="list-style-type: none"> <li>• Head Accountant</li> <li>• Accounting Assistant</li> <li>• Office Assistant</li> </ul>

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In support of the internal controls review, the matrix provided in Section III provides a summary documentation of:

- Control objectives
- Control issues
- Corresponding recommendations
- Likelihood of occurrence
- Impact of occurrence

Likelihood of occurrence is defined as the probability of a negative event occurring. Impact of occurrence is defined as the level of significance if a negative event occurs. Risk levels of low, moderate, or high were used to rate the likelihood of occurrence and impact of occurrence for each finding.

Beyond those controls that have been reported within this report as a control issue, additional controls were reviewed without exception. The total population of controls reviewed was over 100. It should be noted that many controls were reviewed multiple times in relevant, separate department reviews, but not all controls or departments were reviewed. Departments were selected on a test basis to get a broad understanding of the District's control environment. Only those key controls with exception conditions are reported in this document.

The primary conclusion from this review is that the District has an opportunity to improve internal controls and strengthen processes and procedures. Suggested priorities to address over the next 6 to 12 months include, but are not limited to:

- Improving and testing controls related to revolving cash funds
- Improving and testing controls related to payroll and timekeeping
- Improving and testing controls related to vacation administration
- Improving and testing controls related to billing and revenue collection
- Improving compliance with purchasing policies
- Improving overall control environment

### III. INTERNAL CONTROLS REVIEW

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<b>A. Revolving Cash Fund (RCF)</b>				
<p>1. There is adequate segregation of duties in place in the administration of Revolving Cash Funds.</p>	<p>Inadequate segregation of duties exists for Revolving Cash Funds. According to the District’s policy and the current list of RCF custodians, only principals or directors are RCF custodians. However, our fieldwork revealed that most of the accounting technicians and administrative staff who are involved in the RCF administration and reconciliation process are also authorized signers on the bank accounts. Additionally, there are no restrictions preventing accounting technicians or administrative staff from requesting reimbursements from RCFs. Therefore, they can request reimbursement for themselves and sign the checks. During an overall walkthrough of this RCF process, we observed one instance where an individual requested a check and signed the check.<sup>1</sup> While the principal or department director is supposed to sign the supporting paperwork, the extent of the review performed is unclear. Moreover, according to policy, two signatures shall be required for each check written. Based on our observation, this is not consistently happening.</p>	<p>Strengthen controls around reimbursements for individuals involved in RCF administration. The District should consider the following:</p> <ul style="list-style-type: none"> <li>• Prohibit requesting reimbursements from anyone involved in administering RCFs including principals, accounting technicians, and administrative staff.</li> <li>• Direct reimbursements for principals, accounting technicians, and administrative staff to the District RCF.</li> <li>• Consider requiring all sites to provide copies of cancelled checks as part of reconciliation process.</li> </ul>	<p>High</p>	<p>High</p>

<sup>1</sup> Twin Peaks Middle School

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>2. Strong controls over Revolving Cash Funds exist and compliance with District policies is applied consistently.</p>	<p>Although the District has policies and procedures that guide the administration of the RCFs, the District does not have a consistent and cohesive approach to the application or enforcement of these policies. For example, the District's Accounting staff has identified various instances of non-compliant purchases including prohibited purchases and altered receipts. However, once teachers or other staff were notified of non-compliance, requests were made to principals or other superiors for exceptions to the policy, which were ultimately approved and reimbursements were issued. The District does not currently have a systemized process for requesting exceptions to this policy. For example, within the Business Services Guide, individuals are instructed that they cannot buy certain materials such as hazardous materials (i.e., spray paint, chemicals, aerosols, or adhesives) or computer applications. However, there are occasions that these items need to be purchased and approval is required from Risk Management or IT prior to completing the reimbursement review process.</p> <p>This lack of a cohesive approach to enforcement erodes the rules set forth within the policies and procedures as well as the role of the Accounting staff. Additionally, the District does not currently have a process for tracking non-compliance nor is there a standardized process for punishing violations. Although the District has taken RCFs away from sites due to repeated non-compliance, these actions were not part of a well-established process for addressing violations. Failure to enforce and consistently apply policies and procedures significantly increases the likelihood of fraud, waste, and abuse of these funds.</p>	<p>The District's leadership should develop a cohesive stance towards RCF compliance thereby empowering accounting technicians to uphold and enforce policies.</p> <p>The District should consider organizing a working group that will be involved in developing and implementing stronger controls around RCFs.</p> <p>Revise the RCF request form to remind individuals about prohibited items and require individuals to certify that they are in compliance with reimbursement requirements.</p> <p>Modify the process for requesting policy-exception. For example, if requesting reimbursement for prohibited items, RCF forms should be routed to the appropriate department (i.e., Risk Management and/or IT) prior to being submitted to the Accounting division.</p> <p>Provide training to RCF users to increase compliance and consider a webinar format to increase ease of availability.</p> <p>Increase distribution of information about District vendors and purchase orders (POs) to RCF users.</p> <p>Establish a process for tracking instances of non-compliance and an enforcement program.</p>	<p>High</p>	<p>Moderate</p>

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<p>3. Efforts are made to ensure all purchases are procured in the most favorable manner possible.</p>	<p>Some purchases reimbursed by the RCFs circumvent the District's purchasing process. According to the District's policies, employees are instructed not to purchase from stores that are District vendors. However, Accounting staff have identified items that have been purchased through RCF reimbursements that could have been purchased with purchasing orders (POs). Teachers often do not ask the Purchasing Department about whether a PO exists prior to making purchases. Similarly, the District has preferred pricing with an instructional materials vendor but teachers often do not receive the District's information to benefit from this discounted pricing. Additionally, printer cartridges are frequently purchased and submitted for RCF reimbursement. However, printer cartridges are readily available with significantly better pricing through the District's purchasing process.</p> <p>The lack of training for all individuals who request reimbursements coupled with the absence of enforcement action have created this opportunity to circumvent the District's intended purchasing processes.</p>	<p>Consider prohibiting reimbursement for certain items such as printer cartridges and books that can be readily obtained through the District's established vendors.</p> <p><i>See Recommendation for RCF Control Issue A-2.</i></p>	High	Low
<p>4. Revolving Cash Funds are not released prior to the completion of the District's review.</p>	<p>Some RCF reimbursement checks are provided to employees prior to the District's reconciliation process. According to the District's Business Services Guide, checks cannot be released to staff until the District has performed its reconciliation and provided a check from the District. However, according to the District's Accounting staff, not all checks are held by site staff until the District's reconciliation process has been performed.</p>	<p>As part of a comprehensive approach to strengthen RCF administration and enforcement, the District should:</p> <ul style="list-style-type: none"> <li>• Incorporate holding of checks as part of the RCF training.</li> <li>• Include failure to hold reimbursement checks as a violation of the policy.</li> </ul>	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
5. Adequate spending guidance exists for all purchases to ensure reasonable use of public funding.	There is no spending guidance provided to guide food purchases for District meetings. Although staff must report the meeting date, subject of meeting, and number of attendees, there is no direction provided to staff to encourage reasonable spending limits are observed. Without spending guidance, there is an increased risk of abuse or misuse of public resources.	Develop spending guidance per attendee for District meetings and incorporate into written policies and procedures.	Moderate	Low
6. Reimbursement requests are submitted in timely manner.	There is no time deadline for requesting reimbursements from RCFs. The District's policy only specifies that it will not reimburse requests submitted from previous fiscal years. The absence of reimbursement timelines creates increased risk for fraud, waste, and abuse.	Establish a deadline for requesting reimbursements. Any exceptions should be tracked and considered violations.	Low	Moderate
7. Reconciliations are submitted in a consistent and timely manner.	The method for performing reconciliations is not standardized. Some sites use software programs to perform RCF reconciliations, while other sites prepare handwritten reconciliations. Not all reconciliations are submitted in a timely manner—the Accounting staff estimate that in any given month roughly one-quarter of the sites submit reconciliations late. Although the Accounting staff tracks late submissions, consistent enforcement actions are not in place.	Develop a standardized method for performing reconciliation and provide site staff with step-by-step guidance.  As part of comprehensive enforcement program, implement consequences for late submissions.	Low	Low
8. Adequate formal training is provided to all individuals involved in the RCF administration process.	The accounting technicians and administrative staff involved in the RCF administration and reconciliation process have not received formal training for performing these activities. For example, many of these staff lack of knowledge about appropriate account coding.	Provide training to RCF administrators to improve awareness of internal controls and increase compliance. To increase accessibility and availability of materials, consider using a webinar format.	Low	Low

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>9. The payment methods used for reimbursable purchases are easily verifiable.</p>	<p>The use of gift cards when requesting reimbursement poses challenges for the Accounting Division's reconciliation process. Gift cards can be provided as rewards or incentives for spending at certain vendors such as Target. In particular, to ensure that individuals are not being reimbursed for gift card funds that were provided by vendors to the District or were provided to the individual as a result of a prior purchase on behalf of the District, the District must determine the origin of the gift card prior to authorizing the reimbursement request. In many cases this poses a significant administrative challenge. At times individuals request full reimbursement from the District for items for which they used coupons or received other discounts, thereby resulting in overpayment. Without clear guidance regarding the use of gift cards and coupon or discount codes, the District risks overpaying individuals rather than appropriately reimbursing them for costs incurred.</p>	<p>Consider prohibiting use of gift cards for RCF reimbursements.  Provide guidance about the use of coupons or other discounts.</p>	<p>Low</p>	<p>Low</p>
<p><b>B. Payroll and Timekeeping</b></p>				
<p>1. The pay rates for new hires are sufficiently verified to ensure accuracy.</p>	<p>An HR technician could incorrectly assign a step or place a classified employee on the wrong salary schedule, since no secondary review process is in place. In the District most salaries are determined by a step and range. For certificated employees, Human Resources (HR) technicians verify education transcripts, credentials, and years of service eligible for the California State Teachers' Retirement System (CalSTRS), which ultimately determines the salary of these employees. Currently, a single technician performs this review and no additional individual is involved to ensure the accuracy of this designation. Because the salary costs for teachers is spread across all sites rather than individual sites, any overstatement</p>	<p>HR staff should implement a secondary credential review, ideally by a superior, to ensure the accuracy of all initial pay rate assignments.</p>	<p>Moderate</p>	<p>High</p>

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	in an individual's salary would not be detected by the site.			
2. Hours are accumulated and processed efficiently.	Entering hours into the payroll system is a manual process and data entry is centralized within the Payroll Division. While the Payroll Division does have monitoring controls in place to ensure departments are accurately accumulating employee hours for each pay period, the Payroll technicians have to manually enter the data for all timesheets. Manual processes, including calculations, are subject to human error.	<p>In the long term, the District plans to shift to a system that would allow employees to enter their own time and labor.</p> <p>In the short term, the District should consider assigning one or more timekeepers at each site who would compile all timesheets and enter this data. Then, the Payroll technicians would be responsible for reviewing this information and ensuring its accuracy.</p>	Moderate	Moderate
3. Secondary verification of all pay rate information is performed to ensure accuracy of pay rates.	The HR Department does not have second individual within HR perform a review to verify the accuracy of all pay rate data entry. Similarly, a Payroll technician enters all additional pay rates, such as night pay or a mileage allowance, but there is no secondary review of these entries. Without a system that includes automated workflow for a secondary review or a manual process to require a secondary review, it is possible for an individual to single-handedly affect pay rates without detection.	<p>HR should require verification of all pay rate changes by a secondary reviewer and include a sign-off on the action notice form.</p> <p>Payroll should require verification of all add pays by a secondary reviewer and include a sign-off on the action notice form.</p>	Moderate	Moderate
4. Terminated employees cannot receive pay after termination and terminations are processed in a timely manner.	Controls are not in place to ensure that contracted employees do not receive pay after termination. The District relies solely on sites for notification of termination. The Payroll Division observed that there are instances in which sites are delayed in providing information to HR and Payroll about employment termination. In the event of overpayment, the HR Department is responsible for collecting overpayments. Insufficient controls around payment to terminated employees and timely notification of employment	The Payroll Division and HR Department should work with administrative staff at sites to improve the controls related to employment termination.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	termination pose a financial risk to the District.			
5. All manual calculations are verified by a secondary individual.	While the Payroll Division employs secondary reviews when performing certain calculations, such as pro-rating salary computations, only one individual is involved in other types of computations. For example, the calculations for vacation payouts are performed by a single individual in Payroll, but a supervisor does not verify the calculation. Because manual calculations are subject to human error or manipulation, to maintain internal controls, it is important for a second individual, ideally a supervisor, to sign off on calculations.	Implement secondary review by a superior or supervisor of all manual calculations. The review should be documented with signature and date.	Moderate	Moderate
6. All changes to pay rates are appropriately segregated solely within the Human Resources function.	Although the HR technicians are responsible for establishing ongoing pay rates, all Payroll technicians can override hourly pay rates. One Payroll technician performs a payable time audit to routinely check for certain items including substitute time, minimum wage rate increases, and people working out of class, which may detect an inappropriate pay rate. However, because all Payroll technicians have this system access, there is an increased risk of inappropriate payment to employees.	<p>After producing a report to show manual rate overrides, require a secondary individual to perform an additional review and approve all overrides.</p> <p>The District should continue to work with its IT Department and the vendor to make system improvements such as access limitations for revisions to the hourly rate schedule.</p>	Moderate	Moderate
7. Absences are logged on a timely basis.	The District's financial system creates significant challenges in logging absences. There is currently a backlog of the forms used for tracking absences. These delays make it difficult to determine accurate leave balances. Without any additional staffing, the current routing of all absence entries to the Payroll Division will result in continued risk of errors.	<p>The District should explore opportunities for improving payroll and timekeeping administration. For example, the District should consider the following options:</p> <ul style="list-style-type: none"> <li>• Pursue online time-entry by all or most employees with alternatives for only those employees who require accommodation.</li> <li>• Implement a timekeeper model in which a key administrator or</li> </ul>	Moderate	Low

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		<p>multiple administrators at each site are responsible for entering time.</p> <ul style="list-style-type: none"> <li>Add resources to the Payroll Division to ensure the timely entry of all payroll and timekeeping forms.</li> </ul>		
8. Employment information entered by HR staff is reviewed adequately to ensure accuracy.	The Payroll technicians may not have adequate information to perform a meaningful review of salary information to ensure accuracy. HR enters all of the new hire and salary information into the Payroll system and then provides information to the Payroll Division. Payroll technicians review the information on the action notice form (i.e., change in pay or change in position) against the information in the system. In particular, the Payroll Division is not provided with the employment offer letter to verify that the information on the action notice form and in the system match the letter.	Provide employment offer letters to Payroll to verify the pay rates across the employment letter, action notice form, and Payroll system are consistent.	Low	Moderate
9. Payroll technicians are well-utilized.	The Payroll technicians spend a significant amount of their time performing manual data entry for timesheets, absences, and vacation requests. For example, the technicians process approximately 3,000 vacation and absence forms per month and approximately 5,000 timesheets per month. This significant data entry workload prevents the technicians from performing other activities such as additional payroll audits or other monitoring activities.	<i>See Recommendation for Control Issue B-2.</i>	Low	Low
10. Overtime is not overseen to ensure compliance with laws and regulations and to ensure cost controls for	The sites are solely responsible for ensuring the appropriate usage of overtime. In particular, sites are solely responsible for ensuring all overtime is approved in advance and that usage of overtime is necessary and appropriate. Moreover, the Payroll technicians are not provided with supporting documentation to ensure	<p>The District should review its current overtime practices to ensure that sites have been provided with adequate guidance about the appropriate use of overtime.</p> <p>As manual data entry within the Payroll</p>	Low	Low

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
efficient operations.	the appropriateness of overtime usage.	Division is reduced through system improvements, Payroll technicians should perform spot audits to assess overtime usage.		
<b>C. Use of Vacation</b>				
1. Limits to vacation balances are enforced.	<p>Although the District’s labor contracts address carryover limits for vacation time, a cap on vacation time is not automated and the carryover limits for vacation have not been consistently enforced. As a result, the District has incurred significant financial liabilities that will continue to increase over time. A recent audit reported that the vacation liability balance had grown to \$5.6 million in fiscal year 2015-16.</p> <p>Each year an annual report about vacation is created and provided across the sites. Yet, the expectations on how to manage these balances vary across sites and supervisors. Some supervisors mandate employees take vacation time, while others do not. One union contract now has a vacation payout option annually. However unpaid vacation balances continue to be an issue for other unions. Moreover, the District only allows a payout once in a career.</p>	<p>Explore a holistic approach to managing vacation time. The District should consider different options for reducing vacation liabilities:</p> <ul style="list-style-type: none"> <li>• Training supervisors to encourage use of vacation in consistent manner.</li> <li>• Enforcing carryover caps.</li> <li>• Allowing payouts once per year for all unions.</li> </ul> <p>The District should continue to work with management employees to create a plan to address vacation, excess vacation balances, and encourage employees to take vacation.</p> <p>In considering future labor contracts, the District should consider modifying language regarding vacation to minimize future liabilities.</p>	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>2. Strong controls exist around the administration of vacation.</p>	<p>Payroll staff reported that there are no standards in place to dictate the timing for submitting vacation requests or, if standards do exist, there is not consistent compliance. Employees at the sites are responsible for completing a statement of absence form and obtaining appropriate approvals. These forms are then submitted to the Payroll Division for data entry. The sites are ultimately responsible for monitoring absences and the appropriate use of vacation time. However, at times there is confusion at the sites about the status of a given employee or what the type of absence being used. For example, sometimes the sites will e-mail the Payroll Division to inquire about whether a statement of absence form has been submitted. Without controls in place, the District cannot ensure the appropriate management of absences and vacation.</p>	<p>Develop policies and procedures regarding the submission of statement of absence forms and ensure widespread distribution of this information</p> <p>Assemble a working group across the sites, in collaboration with HR and Payroll, to improve controls and communication related to absence and use of vacation.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>3. Vacation is well-managed through an information system.</p>	<p>Payroll technicians must perform data entry of all statements of absence to track absences and the use of vacation. Prior to the implementation of the District's new financial system, the District used an information system to manage absences and the use of vacation. However, this information system is no longer used. Given the financial liability associated with vacation, inadequate assurance about the reliability of vacation information is financially significant to the District.</p>	<p>The District, in collaboration with IT, should explore the current system's capabilities for absence management. If this system lacks adequate functionality, the District should explore alternate systems.</p>	<p>Moderate</p>	<p>Moderate</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<b>D. Billing and Accounts Receivable</b>				
<p>1. Adequate controls are in place to ensure that maximum revenue is collected.</p>	<p>There are weaknesses in the controls around invoicing for District facility rentals and the associated revenue collection. The Facilities and Operations department rents out District facilities using a facilities management system, SchoolDude. The invoicing and scheduling functions within the system are not integrated. Thus, employees could schedule facilities rentals without invoicing clients. Similarly, if a reservation is cancelled, the bill is not automatically updated. Moreover, invoices can be deleted from SchoolDude without any mitigating controls.</p> <p>Additionally, other weaknesses impair the District's ability to effectively collect revenue. For example, when attempting to collect outstanding accounts receivable, Accounting staff often find that the renter's contact information is outdated.</p>	<p>In collaboration with IT and system vendor, explore ability to enable additional system controls within SchoolDude system.</p> <p>Perform regular reconciliation between the facility reservation system and billing activities.</p>	<p>High</p>	<p>Moderate</p>
<p>2. All accounts receivable are recorded within the District's financial system.</p>	<p>The District's Finance Department is unable to ensure that it has a complete record of the District's receivables. The Accounts Receivable (AR) module of the current financial system was not implemented. The District's previous financial system did not have invoicing capabilities. As a result, billing is not performed within the District's financial system and thus accounts receivable are not captured within the system.</p> <p>Instead, billing is performed largely in QuickBooks or ancillary systems such as SchoolDude for facilities rentals. During the year, the Accounting staff manages outstanding AR in QuickBooks. Ongoing reconciliations between QuickBooks and the District's financial system are not performed. Instead, at year-end, accounts receivable are accrued in the District's</p>	<p>Explore functionality of the invoice module in the financial system.</p> <p>The Finance Department should work to streamline and gain better controls over billing across the District. This should include:</p> <ul style="list-style-type: none"> <li>• Compiling a full inventory of District AR processes and current AR.</li> <li>• Meeting with key individuals across the District to discuss billing and collections best practices.</li> <li>• Developing an AR trend report that is provided to the Finance</li> </ul>	<p>High</p>	<p>Moderate</p>

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	financial system. Without a complete recording of District AR or ongoing reconciliation between the systems, the District may not be achieving complete revenue capture or collection on outstanding receivables.	Director on a quarterly basis for monitoring.		
3. All relevant documentation is submitted to the Accounting Division to facilitate an effective review.	The District’s Accounting Division is not supplied with adequate information to assess the completeness of deposits received from sites. For example, while sites are supposed to write out receipts for revenue they collect for a variety of things including field trips and donations, copies of these receipts are not provided to the Accounting Division. Without this documentation, the District is missing an opportunity for more meaningful review.	Consider requiring sites to provide copies of receipts to the Revenue Division as part of required documentation.	Moderate	High
4. Revenue collection practices are consistent across all sites.	The District’s sites do not all perform strong cash collection practices. Specifically, we identified weaknesses in cash collection practices related to field trips. While some teachers use receipt books to track payments, others use a class roster or do not provide tracking at all. Additionally, the sites do not always have processes in place to ensure that the revenue collected is turned in and deposited. Because of these weaknesses, there have been instances of significant delay between the field trip and when money is turned in. For example, Accounting staff recounted an instance in which a field trip occurred in October, but money was not received by the Finance department until January. While the money collected at the sites by teachers is low dollar value, the lack of controls creates a significant risk for misappropriation of funds.	Consider opportunities to improve controls around cash collection at sites. For example, field trip money could be paid to the administrative staff and receipts provided for all money. If collection remains with teachers, the District should require the use of cash receipt book and a class roster. The District should consider activities to periodically monitor these collection efforts.	Moderate	High
5. All accounts receivables are actively pursued	The District does not utilize an outside collections agency to maximize revenue collection. Without dedicating more internal resources to collecting	Consider employing an outside collections agency. Consider whether Franchise Tax	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
for collection.	receivables or the use of an outside agency, the District may not be collecting all of the outstanding revenue it is due.	Board (FTB) intercept could be employed.		
6. Adequate documentation is provided to support all revenue collection.	Sites do not provide adequate revenue documentation to the Accounting Division. According to District policy, monies collected at school sites shall be documented with a District receipt, with one copy to the payee, one submitted with the deposit, and one retained in the receipt book. However, sites do not currently provide backup documentation with deposits.	Require complete documentation with submission of all revenue deposits.	Low	Moderate
7. Strong controls exist around all mail payments.	Some checks are received directly by Accounting staff. Thus there are individuals who create bills but may also process payments. Without segregation of these duties, there is a risk for fraud, waste, or abuse.	Improve controls around mail payment remittances including the use of a lockbox or segregating duties and employing a mail log.	Low	Moderate
<b>E. Purchasing and Accounts Payable</b>				
1. Controls over the entry of new vendors are adequate and duties are segregated among personnel.	<p>The segregation of duties between the Accounts Payable (AP) Department and the Purchasing Department related to vendor establishment functions is insufficient. All personnel in the AP and Purchasing Departments have the ability to enter new vendors in the system and make vendor changes. The access is needed as a part of the job responsibilities in these departments; however, there is currently no process for monitoring the addition of vendors or changes in vendor information. As a result, there are numerous duplicate vendor records in the system as well as increased fraud risks.</p> <p>Some personnel have access to enter new vendors into the system, as well as record when orders are received in the system. Personnel who have access to enter new vendors in the system should not also be responsible for marking when orders are received.</p>	<p>Explore ability to limit system access to facilitate appropriate segregation of duties. If limiting AP's access is not feasible either technologically or operationally, the District should implement a robust and ongoing process for monitoring all vendor additions and changes.</p> <p>In addition, implement a process to periodically review vendor lists for anomalies.</p>	Moderate	High

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>2. An enforcement system is in place to discipline employees for non-compliance with the District's Administrative Procedures/Business Services Guide related to purchasing.</p>	<p>The District does not have an enforcement program in place for purchasing violations of the District's Administrative Procedures/Business Services Guide. Without a well-understood, formally documented, and consistently applied enforcement system for employee compliance with District policies, there is less of a deterrent for policy violation. Within this type of environment, fraud is more likely to occur. For example, the Business Services Guide discloses that the District will not be obligated to pay for purchases made by staff directly to the vendor. However, staff does not follow the established procedures and the District does not enforce disciplinary action upon violations.</p>	<p>Implement an enforcement program for violations of the District's policies. Complete efforts to create an enforcement system for purchasing policy violations, including standardized notification language and an implementation plan.</p> <p>Ensure all staff understand the enforcement system.</p> <p>Consistently apply the enforcement system immediately upon detecting purchasing violations to the Administrative Procedures/Business Services Guide.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>3. Purchases are monitored for compliance with the District's Administrative Procedures/Business Services Guide.</p>	<p>Monitoring and tracking of POs that are issued after the purchase was made is not being done. As a result, the District does not have a way to track non-compliance with the District's Administrative Procedures/Business Services Guide even though the District knows that POs are being issued after the fact. A mechanism to track non-compliance helps identify the pervasiveness of non-compliance and identifies which employees are regularly bypassing the purchasing process by not preparing a PO prior to the purchase being made.</p>	<p>Perform periodic monitoring for POs that are prepared after a purchase to identify purchasing methods that are not in accordance with Administrative Procedures/Business Services Guide. Create a spreadsheet or other mechanism to track issues identified including the employee who bypassed policies.</p>	<p>Moderate</p>	<p>Moderate</p>

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>4. Purchasing policies and procedures are well-documented.</p>	<p>The existing policies and procedures do not adequately define all roles and responsibilities for purchasing activities. The Business Services Guide, created by the Finance Department, provides policies and procedures to ensure that District staff are aware of the parameters with which they must comply related with purchasing. Although a policy exists for purchasing procedures, the policy does not reflect responsibilities of the Finance Department for p-card oversight. Additionally, the District policy does not address a tracking process for personnel who consistently claim lost receipts for purchases. Without performing a tracking process for lost receipts, the claims could be excessive and unnecessary. Without defining responsibilities in the policy, it is more likely errors will go undetected and non-compliant purchases will occur.</p>	<p>Review and update the Business Services Guide to include the following processes:</p> <ul style="list-style-type: none"> <li>Update the policy to include requirements for the timing in which p-card cancellations should occur. For example, if a p-card holder made an unauthorized purchase, their p-card should be revoked within a predetermined amount of time.</li> <li>Implement a tracking process for personnel who claim lost receipts for purchases. In addition, update the policy to include a requirement for a cap of three offenses prior to revoking p-card privileges.</li> </ul>	<p>Moderate</p>	<p>Moderate</p>
<p>5. Purchases follow the established purchasing process.</p>	<p>“For Payment Purpose Only” forms are reportedly being used excessively for purchases when the PO process should be used instead. The District provides a form titled “For Payment Purpose Only,” which was created for emergency purchases only. This form gives staff the ability to make purchases without having to first request a PO because the purchasing process has already occurred. In addition, some staff members make purchases from vendors using their own, rather than the District’s, name. As a result, the invoice is provided directly to staff and Finance does not receive the invoice. Challenges in tracking and monitoring this payment method may be exacerbating this issue. The lack of adequate controls creates risk of fraud, waste, and abuse for the District.</p>	<p>Perform periodic monitoring of the use of “For Payment Purpose Only” forms to ensure this method of purchasing is only being used in accordance with the Business Services Guide. Track misuse of the “For Payment Purpose Only” forms and follow up with those misusing the form.</p> <p>Monitor purchases completed by staff to ensure invoices are addressed to the District’s name. Track which staff are making purchases in their own name and follow up with them.</p>	<p>Moderate</p>	<p>Moderate</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
6. Purchases are properly approved.	Requisition approval authority within PeopleSoft may be assigned to employees who should not have the authority to approve purchases, such as Executive Assistants and Administrative Assistants. While the requisition is also approved by Finance, the Business Services Guide states that a requisition needs principal or manager approval.	Review the requisition approval authorities in PeopleSoft to ensure the approval authority is assigned to authorized personnel.	Moderate	Moderate
7. A physical inventory of the warehouse is performed in a timely manner by appropriate personnel.	Segregation of duties does not exist for the annual physical inventory of the warehouse. The physical inventory of the warehouse is completed by the warehouse storekeeper in the Purchasing Department on an annual basis. The storekeeper completes informal audits throughout the year, in addition to the annual audit that is submitted to the Finance Department. The formal annual audit should not be completed by personnel that manages inventory directly. In the absence of adequate segregation of these duties, the District is at risk for misappropriation of assets.	Evaluate resources to determine ways to delegate the physical inventory of the warehouse to staff that does not directly manage the warehouse inventory.	Low	Low
<b>F. Purchasing Cards (P-Cards)</b>				
1. Purchases made with p-cards are appropriate and in compliance with purchasing policies.	Some p-card purchases do not comply with the Business Services Guide or follow the intended purchasing process. According to the Business Services Guide, purchases made with p-cards are supposed to be performed only for emergencies, travel, groceries, and office supplies. There have been several instances in which staff default to using p-cards for purchases instead of establishing a PO. For example, there was one instance that a purchase for computer cables was made with a p-card when a PO should have been established for the purchase. Without greater clarity in the written guidance regarding appropriate p-card usage, instances of non-	Continue updating the Business Services Guide to clarify the specific conditions in which the p-card should be used and implement an enforcement system for those individuals who violate the established policies.  The Purchasing Department should review a report of all p-card purchases monthly to specifically identify p-card purchases that do not comply with the Business Services Guide. As part of this monthly review, the Purchasing	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	compliance will likely persist.	Department should also identify vendors consistently used for p-cards purchases and investigate opportunities for using a blanket PO. For example, the Purchasing Department recognizes that \$50,000 is being spent on Amazon supplies. The cost of these supplies could potentially be reduced by using the PO process.		
2. P-card purchase entries are entered into the general ledger accurately.	Uploads of p-card purchases into the People Soft System is performed manually and without secondary review of the entries. This process is time consuming and prone to error. Because of the manual entry and no secondary review, there is high risk that an error would go undetected.	Explore opportunities to establish an electronic upload process to eliminate staff from manually entering this information. In the meantime, implement procedures for a secondary review of the entries made to ensure errors are timely detected and corrected.	Moderate	Moderate
3. Employees involved with p-card purchases are well trained in the District p-card policies and best practices.	The District currently offers an informal training to p-card holders that are responsible for entering transactions into the system. There are multiple p-card holders throughout the school sites that do not receive any training and use a p-card for purchasing. Without formal training provided to all p-card holders, the District is at increased risk of non-compliance with administrative procedures.	The District should implement a formal p-card training program and ensure that all p-card holders receive this training. In addition to training on the administrative p-card processes, the training should focus specifically on p-card policies. This training could be conducted periodically with a presentation and a discussion to answer any questions from departmental staff. In addition, AP personnel should meet with any new staff with p-card responsibilities to review the p-card policies and answer any questions. Alternatively, the District could record the p-card training and provide it digitally on demand.	Moderate	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		All cardholders should provide a signed agreement acknowledging the training was completed and District p-card policies have been read.		
4. P-card transactions are submitted to Finance in a timely manner, as required by policy.	<p>Several p-card holders are not clearing their expenses within the required timeline. The Business Services Guide specifies that the p-card cardholder must clear charges in the Smart Data system within 10 days of the p-card purchase. The lack of adequate controls in place to ensure compliance with District policies creates risk of not submitting expenses in a timely manner.</p> <p>Additionally, the Business Service Guide does not address a due date for the Finance Department to complete their monthly reconciliation of p-card transactions. Without a deadline to complete a monthly reconciliation, the reconciliation is at risk of not identifying errors in a timely manner.</p>	<p>Provide additional training to p-card holders to ensure adequate understanding of current policies and procedures, including due dates. In conjunction with additional training, the District should update the Business Services Guide to require all p-card holders to submit their statements on the 15<sup>th</sup> and 30<sup>th</sup> each month. This change will make the submission dates more clear.</p> <p>In addition, the District should develop a tool to track p-card holders that miss the deadline for clearing charges. E-mail reminders could also be a best practice to remind cardholders of the required submission dates. Implementation of these best practices will ensure consistency and make it easier to track non-compliance.</p>	Moderate	Low
5. P-card transactions are reviewed for accuracy and appropriateness.	There are inadequate controls in place to ensure p-card transactions are reviewed for accuracy and appropriateness. There have been instances that purchases have been made from vendors that are prohibited by the policy. Moreover, the Purchasing Department does not review and monitor purchases performed to identify when unauthorized purchases are made. Without an adequate review of accurate purchases and tracking process, unauthorized	Establish a process to review p-card transactions monthly, specifically to identify non-compliance. Document any non-compliance identified in a spreadsheet or other tracking system. Follow up with p-card users who are non-compliant including using the enforcement policy identified in the recommendation for Control Issue E-1.	Moderate	Low

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	<p>purchases will go undetected.</p> <p>Additionally, the District has limited checks and balances in place to ensure p-card purchases are not used for vendors who already have an established blanket PO. The lack of monitoring controls could result in purchases being made on a p-card when a PO should be used.</p>	<p>Additionally, the Purchasing Department should review p-card transactions periodically to provide a clear understanding of the type of purchases being made with p-cards.</p>		
<p>6. P-card statements are approved by supervisors prior to submission.</p>	<p>P-card statements are not consistently reviewed for appropriateness prior to submission. Although the District requires review and approval by a principal or supervisor prior to the submission of completed purchases and p-card statements to Finance, this is not always performed. Without an adequate review of p-card statements prior to submission, the District is at higher risk that unauthorized purchases could go undetected. Additionally, principals do not obtain a documented approval for expenses they incurred.</p>	<p>Update the Business Services Guide to require a review and documented approval of the p-card statements by an appropriate supervisor. Implementing a review of controls will assist the District in detecting unauthorized purchases prior to processing purchases.</p>	<p>Low</p>	<p>Low</p>
<p><b>G. Travel and Conferences</b></p>				
<p>1. A completed attendance request and expense claim form is submitted and approved for all training and workshops prior to travel.</p>	<p>According to the Business Services Guide, the approved Business, Training and Conference Attendance Request and Expense Claim Form (B-9 form) must be submitted to Finance at least 3 to 4 weeks prior to attending training and/or workshops. There have been several instances in which personnel that attend training and workshops submit the required B-9 form for pre-approval after attending the event. Additionally, the Business Services Guide says that completed B-9 forms should be submitted within 30 days after the event was attended. We were informed that several employees do not submit the B-9 forms in a timely manner after the event. The existing process is non-compliant with District policies and could result in a loss of revenue for the District in the future.</p>	<p>Develop and implement an enforcement system for individuals who violate the Business Services Guide policies.</p> <p>Implement additional procedures to track the personnel who are non-compliant with the policy and submit B-9 forms for pre-approval after attending workshops and training and/or submit the completed form greater than 30 days after the event.</p>	<p>Moderate</p>	<p>Low</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<b>H. Consultant Contracts</b>				
<p>1. Controls exist over the purchase of services.</p>	<p>School sites are circumventing the process for establishing adequate contracts for services performed at sites. For example, a school site contacted an individual to provide window washing services without obtaining an approved contract prior to services being performed. District policies specify that a contract should be created prior to services being performed. Without following the established procedures, there are insufficient controls in place to prevent fraud, waste, and abuse.</p> <p>According to the Administrative Procedures, the school sites are supposed to establish a contract with a vendor prior to services being performed. Departments are supposed to send a package containing the consulting services request, consultant services contract, W-9 form, and proof of insurance to the Finance Department. Finance reviews these documents then routes the documents to Associate Superintendent and the Board for approval.</p>	<p>Adopt restrictive language and enforcement against attempts to circumvent the process of establishing a contract prior to work being performed.</p>	<p>Moderate</p>	<p>Moderate</p>
<b>I. Overall Control Environment</b>				
<p>1. The District has a strong fraud, waste, and abuse program that is well-publicized.</p>	<p>The District does not have a program to prevent and detect fraud, waste, and abuse (FWA). The District does not have a hotline for employees, vendors, or other concerned parties to report concerns about FWA. While the District currently does have a hotline operated by a third-party vendor for reporting other types of complaints such as graffiti on campus, this hotline has not been advertised to handle concerns about fraud, waste, or abuse. Similarly, the District does not provide training to its employees to increase their awareness about fraud, waste, or abuse. Finally, the District does not have a whistleblower protection</p>	<p>Explore opportunities to implement a fraud, waste, and abuse program including the following:</p> <ul style="list-style-type: none"> <li>• Implement a whistleblower hotline through a third-party vendor.</li> <li>• Establish a whistleblower hotline and make it available to employees, vendors, customers, and the public.</li> <li>• Communicate the availability of</li> </ul>	<p>Moderate</p>	<p>High</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	<p>policy to forbid retaliation against whistleblowers. According to the 2016 ACFE Report to the Nations, approximately 39.1% of all occupational fraud was uncovered through tips.</p>	<p>the hotline on a regular basis, at least annually. For employees, the District should identify the types of activities that should be reported.</p> <ul style="list-style-type: none"> <li>• Periodically monitor the effectiveness of the hotline, including comparison to benchmarking.</li> <li>• Write an administrative policy to prohibit fraud, waste, and abuse, to define reporting responsibilities, and to establish protection for whistleblowers.</li> <li>• Document the process for handling allegations from the fraud hotline.</li> </ul> <p>Provide annual training to all employees on internal controls and fraud, waste, and abuse prevention. Training should be provided at all levels of the organization (i.e., Board, management, and staff).</p>		
<p>2. District-wide policies and procedures are comprehensive and up-to-date.</p>	<p>There are discrepancies between the District's different policy sources. The District provides written guidance in a variety of different sources. The District has Board Policies, Administrative Procedures, and a Business Services Guide. While providing guidance in various types of policies and procedures is appropriate, discrepancies such as these can create confusion or be used as explanations for non-compliance.</p> <p>Additionally, some of the District's policies are out-of-date. For example, since transitioning to and implementing a new accounting system, the District</p>	<p>Continue ongoing efforts to update and revise existing policies</p> <p>Establish a clear policy environment including a hierarchy for policy documents.</p> <p>Document processes and procedures and make timely updates for changes. These procedures should be centrally available and consistently followed.</p>	<p>Moderate</p>	<p>Moderate</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	<p>has not updated its policies and procedures to reference the new system. Similarly, information about the District's system for reporting vacation is no longer accurate. Moreover, some important control improvements, such as prohibiting the vacation payouts from RCF's, have not yet been incorporated into the District's administrative procedures or Board policies.</p> <p>Providing clear direction through formalized processes and procedures is imperative for training employees and to ensure the duties can still be performed in the event of employee turnover.</p>			
<p>3. All employees receive timely and regular performance evaluations.</p>	<p>Not all performance evaluations are performed in a timely manner. At year end, we found that approximately 30% of the scheduled performance evaluations were outstanding or incomplete.<sup>2</sup> It should be noted that these numbers may have been higher than normal this year following the discovery of more than 200 employees with overdue evaluations dating back many years. According to District staff, "it appears as though historically, performance evaluations in the District were a low priority, compliance was not something all sites were held to the same standard on, and some of that carryover seems to exist today." Failure to provide feedback in a consistent manner creates risks pertaining to matters of employment law and can hinder the District's ability to effectively discipline employees. Moreover, lack of timely performance evaluations can contribute to decreased employee morale.</p>	<p>The District recently implemented a database to facilitate the evaluation process and is ready to be used for an entire school year in 2017-2018. The District should continue its ongoing efforts to utilize this system and ensure data accuracy and reliability.</p> <p>The District should prioritize the consistent and timely completion of performance evaluations. Support improved compliance with the evaluation process through a variety of means including the following:</p> <ul style="list-style-type: none"> <li>Require site administrators with a pattern of incomplete or late evaluations to have a conference with a personnel support services (PSS) staff member before school</li> </ul>	<p>Moderate</p>	<p>Moderate</p>

<sup>2</sup> We found that 2014 performance evaluations had been successfully completed but 873 performance evaluations were outstanding or incomplete.

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		<p>starts.</p> <ul style="list-style-type: none"> <li>PSS staff members could provide additional support through follow-up conferences, on-going communications, and summary reports for additional accountability.</li> <li>If this increased support does not improve compliance, the District could consider implementing deterrents for late performance evaluations.</li> </ul>		
<p>4. Employees are protected from retaliation for making complaints or filing grievances.</p>	<p>The District's grievance policy and procedure does not include language protecting employees from retaliation. The District has policies and procedures addressing how complaints and grievances can be made and how they will be processed. However, other than allegations of sexual harassment, policies do not include protection for employees who file complaints and grievances. Without guidance prohibiting retaliation, the District may face increased risks associated with employment practices.</p>	<p>Incorporate a prohibition of retaliation into the District's existing grievance policies and procedures</p>	<p>Moderate</p>	<p>Moderate</p>
<p>5. Employee training is consistently performed and tracked to ensure ongoing compliance.</p>	<p>Although the District is responsible for ensuring that its employees are provided with a variety of training, the District does not have a centralized information system for tracking the completion of training. Additionally, the administration of training during the onboarding process can be cumbersome and is not easily tracked. When instances of non-compliance occur or issues with employee conduct arise, proof of training can be an important element of effective employee discipline.</p>	<p>The District should explore the capabilities of its current financial system to assist with tracking of training. If this is not feasible, the District should consider other systems that would help facilitate tracking training and automatic notification regarding non-compliance.</p>	<p>Low</p>	<p>Low</p>

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>6. All District leadership positions are filled.</p>	<p>Numerous leadership positions in the District have turned over in the past few years with some positions experiencing vacancies for an extended period of time. Leadership positions in the District are those that report directly to the Superintendent and oversee district operations and/or departments i.e. Associate Superintendents, Executive Directors and Directors who lead a department. In the past three school years, there has been turnover in eight of these positions. For example, the Assistant Superintendent of Business Support Services position was vacant for a number of months, then filled with an individual only on an interim basis, and only recently filled with a permanent hire. Similarly, the Associate Superintendent of Personnel Support Services was a recent hire. While the day-to-day operations have continued, there have been challenges in performing other activities such as planning, strategic decision-making, and improving policies and procedures.</p>	<p>The District should continue to recruit and fill positions as vacancies occur.</p> <p>To mitigate risk associated with leadership turnover, the District should assemble working groups for ongoing strategic initiatives to improve the likelihood of continued action.</p>	<p>Low</p>	<p>Low</p>
<p><b>J. Other</b></p>				
<p>1. Adequate controls exist around all bank accounts.</p>	<p>There are not adequate controls in place around the administration of all bank accounts. For example, ASB accounts are not supposed to have accounting technicians as bank signers. However, cancelled checks are not provided to Finance Department with sites' bank reconciliation information to ensure that accounting technicians are not signing checks. Without these checks, it is impossible for the Finance Department to ensure compliance with policies.</p>	<p>Require cancelled checks as part of all bank account information submitted to the Finance Department.</p>	<p>Moderate</p>	<p>Moderate</p>

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
<p>2. Adequate controls are in place around donation funds to ensure that they are spent and accounted for appropriately.</p>	<p>The District does not always maintain adequate documentation about the intent of the donations. The District has a wide variety of sources of donation funds including PTAs, boosters, and/or foundations. When making contributions, donors may have specific purposes in mind. There are opportunities to strengthen the controls around donations. Moreover, when funds are transferred to sites without specified guidance, principals are able to exercise great discretion over use of donation funds which may not be consistent with the intent of the donor.</p>	<p>Develop additional documentation and controls related to the administration and use of donations to ensure that donations are used for intended purposes.</p>	<p>Low</p>	<p>Moderate</p>
<p>3. Clearing accounts are administered in compliance with existing policies.</p>	<p>Monies in the clearing accounts are not always being transferred to the District in a timely manner. Clearing accounts are used to aggregate revenue collected at sites and then the monies are transferred to the District. According to the District's Administrative Procedures, sites must transfer money to the District weekly. However, the District's Accounting staff stated that this does not happen consistently and, moreover, may not be feasible. The District's Business Services Guide does not match the Administrative Procedure and instead states that clearing is required monthly.</p>	<p>Consider updating the District policy to require sending funds less frequently (i.e., once or twice per month) and implement monitoring and enforcement actions.</p>	<p>Low</p>	<p>Low</p>



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