27 January 2016

Members of the 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 report of activities and accomplishments for the period 1 April through 31 December 2015.  This report is required by Administrative Procedure 2370, *Office of Internal Audit*, dated 13 December 2011.  The audits, reviews, and investigations conducted by OIA assist the San Diego Unified School District (District) in improving its transparency, accountability, and meeting its goals included in *Vision 2020 Statement.*

OIA during this reporting period issued nine reports that included 78 recommendations to the District's managers.  These recommendations, when fully implemented, should assist the District in improving its accountability, internal controls, and its operations.  During our reporting period, the District's Hotline provided us with 32 complaints. During this same period, we investigated and closed 56 complaints.  We summarized this data in Tables 3 through 5.

The Internal Audit Activities section provides a brief summary of the projects that we completed and the products we issued during our reporting period.  Table 1 is a list of the audit and review products issued during the reporting period and includes data on the number of findings, recommendations, and questioned costs identified.  Table 2 provides a list of the projects that were in process as of 31 December 2015.  Additionally, Table 2 includes information on the project's stage as of 31 December 2015.

*Internal Audit Activities*

- OIA issued reports discussing the results of the reviews of the financial operations at the Cadman Elementary, Hawthorne Elementary, and Taft Middle Schools.  Each of these reports contained recommendations to improve the school's internal controls and operations for the schools' appropriated funds and the Associated Student Body (ASB) Funds.
- The principals at Bethune K-8 Elementary School and the Zamorano Elementary School (Zamorano), requested reviews of the operations of their school's ASB Fund.  We provided reports containing recommendations to improve the internal controls, compliance with the District's Administrative Procedures, and accountability for the students' funds.
- OIA provided "flash reports" to the principals at the Roosevelt and Pacific Beach Middle Schools.  A flash report is designed to alert school and District management to issues that, in our opinion, require immediate attention.  Our reports addressed issues regarding the funds held by the schools, protection of ASB merchandise, and the security of the District staff at the schools.  The principals at both schools agreed with our recommendations for corrective action.
- OIA provided a report to the University City High School Principal on the time and labor costs incurred by the school in fiscal year 2014.  The report's recommendations centered on the improve-

ment of internal controls, enhanced accountability for time and labor costs, and improved reporting practices.

- We conducted a review of the ASB Fund's cash receipts and disbursements at 24 selected schools for the period 1 July through 31 December 2014. Our report identified internal controls and processes where improvements in these areas could enhance the compliance over the ASB Funds and reduce operating risk. As part of our review, we presented recommendations to the principals at the schools we reviewed. The responses that we received from the schools generally agreed with our recommendations.

During our work on Zamorano, we identified approximately $1,000 that appeared to be inappropriately expended by a former staff member. The auditor conducted an interview with the former Zamorano staff member regarding this expenditure. At the conclusion of the interview, the former staff member provided the auditor with a check reimbursing the amount of the questioned expenditure. These funds were returned to Zamorano's principal and subsequently deposited in the school's ASB Fund.

Table 1 provides data on the projects that were completed during the reporting period. The table includes the product's title, release date for the product, the number of findings and recommendations, and the identified questioned costs. Table 2 provides the project working title and status for each of the projects underway as of 31 December 2015.

### *Training on the Operation of the ASB Funds*

During the week of 26 – 30 October 2015, OIA in conjunction with Finance, Food and Nutrition Services, Research and Development, and Strategic Sourcing and Contracts Departments and the Office of Secondary Schools provided training on the operation of the ASB Funds. This training was included in the District's corrective action plan to address the independent public accountants' fiscal year 2014 findings regarding the ASB Funds.

OIA and the other departments presented materials to assist in training the District's principals, elementary school assistants, financial clerks, ASB Fund advisors, and athletic directors. The training materials included issues identified in operation of the ASB Funds by the Districts independent public accountant and OIA. Additionally, information was provided on competitive food sales, use of the principal's discretionary accounts, obtaining donations and grant funds that had previously been deposited in the ASB Fund accounts, and the District's contracting requirements that impact ASB Funds.

Additionally, an OIA auditor attended a district wide meeting of student council members who are involved with the operation of the ASB Funds at the high schools. OIA answered student questions on ASB Fund rules, procedures, and operations. This meeting was arranged by the Office of Secondary Schools and followed the ASB Fund training provided to the schools' principals and staff.

### *Change in OIA's Reporting Structure*

On 23 June 2015, the Board of Education approved a change in the reporting structure for OIA. Effective 1 July 2015, OIA reports directly to the Superintendent. Previously, OIA reported to the General Counsel through the Executive Director of Quality Assurance.

*Hotline Activities*

OIA is responsible for the operation of the District's Hotline program.  This report includes summary tables on the hotline activities for the reporting period.  These tables include data on the number of complaints received during the reporting period, the types of complaints received, and the number of complaints investigated and closed during the reporting period.  As part of our summary of the complaints received, comparative data for calendar year 2014 has been included.

Should you have any questions on this report or the underlying data and reports noted in this report, please contact me at jcashmon@sandi.net or at 619.725.5696.

John M. Cashmon
Director, Internal Audit

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

## Activities during the Period
## *1 April through 31 December 2015*
### Table 1
### *Audit and Review Products Issued During the Period*

| Product Title | Release Date | Findings | Recommendations | Questioned Costs |
|---|---|---|---|---|
| Taft Middle School: Review of Selected Financial Operations (Report No. 15-02) | 8 June 2015 | 11 | 15 | $11,368 |
| Physical Controls and Security for Associated Student Body Receipts at Roosevelt Middle School (Report No. 15-03-R) | 8 June 2015 | 2 | 7 | 0 |
| Cadman Elementary School: Review of Selected Financial Operations (Report No. 15-04) | 16 July 2015 | 15 | 16 | 12,716 |
| Hawthorne Elementary School: Review of Selected Financial Operations (Report No. 15-05) | 11 June 2015 | 13 | 17 | 7,692 |
| Associated Student Body Funds: Review of Cash Receipts and Cash Disbursements at Selected Schools (Report No. 15-07) [a] | 30 June 2015 | 42 | 0 | 0 |
| Bethune K-8 Elementary School: Review of Associated Student Body Fund's Financial Operations (Report No. 16-01) | 8 July 2015 | 8 | 7 | 8,941 |
| University City High School: Review of Time and Labor Costs for the Period 1 July 2013 to 30 June 2014 (Report No. 16-02-R) | 23 July 2015 | 5 | 4 | 30,628 |
| Zamorano Elementary School: Review of Associated Student Body Fund's Financial Operations (Report No. 16-03) | 6 August 2015 | 5 | 8 | 13,718 |
| Pacific Beach Elementary School:  Processing and Security of Associated Student Body (ASB) Assets | 28 December 2015 | 4 | 4 | 0 |
| *Total Audits, Reviews, and Related Products Issued* | *9* | *105* | *78* | *$85,063* |

**Source:**  Analysis of OIA Reports

**Note:**  [a] Individual summaries of observations and recommendations were provided to the principals at the selected schools for response.  The observations and recommendations were not included in the report due to volume.

# Ongoing OIA Projects

The following table provides the working title and status of the OIA projects in progress as of 31 December 2015. The projects include: a review of the financial operations at one school, a review of an individual school's ASB Fund, a review of reimbursements to District employees using the ASB Fund at seven schools, the review of the use of the Principal's Discretionary Account at nine schools, a review of the internal controls for use and control of District vehicles, and a follow-up review of the *Audit of Medical and Dental Insurance Costs*.

Table 2
*In-Process Projects as of 31 December 2015*

| Project Working Title | Project Stage |
|---|---|
| Barnard Elementary School: Review of Selected Financial Operations | Fieldwork |
| Associated Student Body Funds: Review of Reimbursements to District Employees | Reporting |
| Associated Student Body Funds: Review of the Use of the Principal's Discretionary Fund at Selected Schools | Reporting |
| Clark Middle School: Review of the Associated Student Body Fund's Financial Operations | Management Comments |
| District Vehicles: Review of the Controls and Use of District Vehicles | Reporting |
| Finance Department: Follow-up Review of the Audit of Medical and Dental Insurance Costs | Reporting |
| Associated Student Body Funds: Review of the Cash Receipts and Disbursements at Selected Schools for the Period 1 July 2015 through 31 December 2015 | Planning |

# *Hotline Activities*

The District established a Hotline to provide District employees and the general public with a central location that enables them to report the activities of the District and its employees that they believe are fraudulent, wasteful, or abusive. Individuals may contact the Hotline's contractor through a toll-free number to speak with an operator to file their complaint. Also they may use a web form on the contractor's internet webpage to present information regarding their complaint. The webpage and the toll free number are available on a 24/7 basis. Both methods allow individuals filing complaints to rename anonymous, if they so choose.

The Hotline contractor provides a detailed summary of the complaint received to OIA. These complaints often include several allegations that need to be addressed. We track the complaint as a single unit; however the allegations within the complaint are not tracked.

OIA subsequent to receiving the contractor's summary determines whether the complaint falls under our purview to investigate, and whether the complaint provides sufficient data for review. Complaints that are a management issue or fall outside of OIA's investigative purviews, we refer the complaint to the appropriate District official for resolution.

For the complaints that fall within our investigative purview, OIA staff will conduct a preliminary assessment of the available data to determine whether further investigation is warranted. For the com-

plaints that warrant additional work: we develop an investigative approach, conduct fieldwork and interviews, prepare a summary report of the investigation, and as necessary forward the report to the appropriate District official for action as needed.  In some instances, the work performed in an investigation will become the basis for an audit of a District function, program, or organization.

We included tables to summarize the status of the District's Hotline program.  The tables include the: (1) status of the inventory of complaints, including the number opened and closed during the period; (2) data on how the complaints that were closed during the period were resolved, and (3) types of complaints received during the period with comparative data for the same period in the prior year,.  The classification of the complaints into the categories listed is done by the Hotline contractor's staff based on their experience, guidelines, and the data provided.  OIA does not attempt to determine how an individual complaint should be categorized.

Table 3
### *Inventory of Open Hotline Complaints*

|  | Complaints |
|---|---|
| Open as of 1 April 2015 | 187 |
| Add: Complaints Received from  1 April to 31 December 2015 | 32 |
| Less: Complaints Closed  from 1 April to 31 December 2015 [a] | 56 |
| *Open Complaints as of 31 December 2015* [b, c] | 166 |

**Source:**   Hotline Contractor Database
**Notes:**   [a] Includes three Hotline complaints that were not included in the contractor database
[b] Mathematical calculation of Open Complaints as of 31 December does not agree with reported total
   due to inclusion of three resolved Hotline complaints that were not included in the contactor's database.
[c] Total reflects only the complaints included in the contractor's Hotline database.

Table 4
### *Disposition of Closed Hotline Complaints*

| Type of Disposition | Complaints |
|---|---|
| Unsubstantiated | 30 |
| Outside OIA's Purview to Review – Referred to Others | 11 |
| Corrective Action Taken [a] | 15 |
| *Total Hotline Complaints Closed* | 56 |

**Source:**   Hotline Contractor Database
**Notes:**   [a] Includes three Hotline complaints that were not included in the contractor database.

Table 5
## *Hotline Complaints by Issue Type for Calendar Year 2015*
## *Including Comparative Data for Calendar Year 2014*

| Issue Type | Calendar Year | | Difference |
|---|---|---|---|
| | 2015 | 2014 | |
| Theft of Time | 6 | 7 | (1) |
| Fraud | 8 | 19 | (11) |
| Employee Relations | 6 | 11 | (5) |
| Academic Fraud | 1 | 3 | (2) |
| Conflicts of Interest | 6 | 9 | (3) |
| Policy Issues | 8 | 17 | (9) |
| Substance Abuse | 1 | 2 | (1) |
| Theft of Goods and Services | 1 | 6 | (5) |
| Workplace Violence/Threats | 1 | 2 | (1) |
| Other Issues | 2 | 2 | 0 |
| Safety and Sanitation Issues | 2 | 2 | 0 |
| Accounting/Audit Irregularities | 1 | 3 | (2) |
| Fraudulent Insurance Claims | 0 | 3 | (3) |
| Theft of Cash | 1 | 3 | (2) |
| Wage/Hour Issue | 2 | 5 | (3) |
| Kickbacks | 0 | 7 | (7) |
| Retaliation Against Whistleblowers | 0 | 1 | (1) |
| Discrimination | 0 | 1 | (1) |
| Sexual Harassment | 1 | 1 | 0 |
| Release of Proprietary Information | 0 | 1 | (1) |
| Conflicts of Interest/Nepotism | 1 | 0 | 1 |
| Falsification of Company Records | 0 | 2 | (2) |
| *Total Hotline Complaints Filed Through Contractor* | 48 | 107 | (59) |

**Source:** Analysis of Hotline Contractor Reporting Data

Table 6
**_Hotline Complaints by Issue Type for Calendar Year 2015_**

| _Issue Type_ | 2015 Reporting Periods | | _Total Complaints_ |
| --- | --- | --- | --- |
| | **1 January to 31 March** [a] | **1 April to 31 December** | |
| Theft of Time | 3 | 3 | 6 |
| Fraud | 3 | 5 | 8 |
| Employee Relations | 2 | 4 | 6 |
| Academic Fraud | 1 | 0 | 1 |
| Conflicts of Interest | 0 | 6 | 6 |
| Policy Issues | 5 | 3 | 8 |
| Substance Abuse | 0 | 1 | 1 |
| Theft of Goods and Services | 0 | 1 | 1 |
| Workplace Violence/Threats | 0 | 1 | 1 |
| Other Issues | 0 | 2 | 2 |
| Safety and Sanitation Issues | 0 | 2 | 2 |
| Accounting/Audit Irregularities | 0 | 1 | 1 |
| Fraudulent Insurance Claims | 0 | 0 | 0 |
| Theft of Cash | 1 | 0 | 1 |
| Wage/Hour Issue | 1 | 1 | 2 |
| Kickbacks | 0 | 0 | 0 |
| Retaliation Against Whistleblowers | 0 | 0 | 0 |
| Discrimination | 0 | 1 | 1 |
| Sexual Harassment | 0 | 0 | 0 |
| Release of Proprietary Information | 0 | 0 | 0 |
| Conflicts of Interest/Nepotism | 0 | 1 | 1 |
| Falsification of Company Records | 0 | 0 | 0 |
| _**Total Hotline Complaints Filed Through Contractor**_ | _**16**_ | _**32**_ | _**48**_ |

**Source:** Analysis of Hotline Contractor Reporting Data

**Notes:** [a] Reported to the Audit and Finance Committee and the Superintendent of Public Education on 28 May 2015, in the Internal Audit Activity Report for the period 1 January through 31 March 2015.

Table 7
**Hotline Complaints Received by Month for Calendar Year 2015**
**Including Comparative Data for Calendar Year 2014**

| Month | Calendar Year | | Difference |
|---|---|---|---|
| | **2015** | **2014** | |
| **January** | 8 | 3 | 5 |
| **February** | 5 | 19 | (14) |
| **March** | 3 | 19 | (16) |
| **April** | 5 | 2 | 3 |
| **May** | 7 | 8 | (1) |
| **June** | 6 | 13 | (7) |
| **July** | 3 | 6 | (3) |
| **August** | 0 | 4 | (4) |
| **September** | 6 | 3 | 3 |
| **October** | 2 | 12 | (10) |
| **November** | 1 | 7 | (6) |
| **December** | 2 | 11 | (9) |
| *Totals for Calendar Years 2015 and 2014* | **48** | **107** | **(59)** |

**Source:**   Analysis of Hotline Contractor Reporting Data