



Report to the Audit and Finance
Committee and the
Superintendent of Public
Education

January, 2016

FISCAL YEAR 2016

Office of Internal Audit Work
Plan for 1 July 2015 through
30 June 2016



27 January 2016

Members, Audit and Finance Committee
San Diego Unified School District

Cindy Marten
Superintendent of Public Education
San Diego Unified School District
4100 Normal Street
San Diego, CA 92103-2682

The Office of Internal Audit (OIA) presents to you our fiscal year 2016 (FY-16) Annual Work Plan (Plan). The Plan includes the priorities and initiatives we plan to undertake during FY-16. We have planned these projects to assist the San Diego Unified School District (District or SDUSD) in meeting its vision and goals outlined in its *Vision 2020 Statement*.

Our Plan provides information on the planned assignment areas and resources devoted to evaluating the efficiency, effectiveness, and integrity of the District's functions, operations, and programs. We developed the Plan based on our assessment of risk and from comments provided by the District's managers and officials.

The District continues to face programmatic and budget challenges in providing a quality education to its students, meeting the visions and goals of the *Vision 2020 Statement*, and meeting its responsibilities to the residents and taxpayers of the City of San Diego and the State of California. Our Plan outlines how OIA will address some of those challenges. The Plan includes proposed projects at the school level and in the District's program offices and departments. Additionally, we will conduct projects on a District-wide basis that include both individual school sites and SDUSD offices and departments.

Should you have any questions regarding our Plan, or suggestions for projects in FY-16 or future years, please contact me at jcashmon@sandi.net or at 619.725.5696.

A handwritten signature in blue ink, appearing to read "John M. Cashmon".

John M. Cashmon
Director, Internal Audit

Fiscal Year 2016

Internal Audit Project Plan

Continuing Reviews

The projects listed in this section were in progress as of 30 June 2015 and were in various stages of completion. This list includes the title of the review and general objectives for each of the projects, and is updated through 31 December 2015.

- Barnard Elementary School: Review of Selected Financial Operations – This review planned to test transactions related to the Associated Student Body (ASB) Fund, the District’s purchase card (P-Card) system, and the time and labor (T&L) system. Our objectives are to determine whether the: (1) ASB Fund operated in compliance with the applicable laws, regulations, Board of Education (BOE) policies and the District’s Administrative Procedures (APs), (2) Barnard Elementary School complied with the applicable policies and APs for the operation of the P-Card program; and (3) T&L-complied with the internal control system and the leaves taken were documented. This project was in the fieldwork stage on 31 December 2015.
- Clark Middle School: Review of the ASB Fund’s Operations – In this review OIA plans to address whether Clark Middle School operates its ASB Fund in accordance with applicable laws, regulations, BOE policies, and APs. As of 31 December, we are awaiting management comments for this report.
- University City High School: Review of T&L Charges Incurred during the period 1 July 2013 through 30 June 2014 – OIA determines whether the documentation provides a reasonable assurance that payroll charges complied with BOE policies and the District’s APs. This report was issued on 23 July 2015 (Report Number 16-02-R).
- Bethune K-8 Elementary School: Review of the ASB Fund’s Financial Operations - In this review OIA plans to address whether Bethune K-8 Elementary School operates its ASB Fund in accordance with applicable laws, regulations, BOE policies, and APs. OIA issued this report on 8 July 2015 (Report Number: 16-01)
- Zamorano Elementary School: Review of the ASB Fund’s Operations - In this review OIA plans to address whether Zamorano Elementary School operates its ASB Fund in accordance with applicable laws, regulations, BOE policies, and APs. We issued this report on 6 August 2015 (Report Number: 16-03).

- Associated Student Body Fund: Review of the Use of the Principal's Discretionary Account – This review was conducted based on the testing results of from our review of ASB Fund Cash Receipts and Disbursements at 24 Selected Schools.¹ This project is in the reporting stage as of 31 December 2015.
- Associated Student Body Fund: Review of ASB Fund Reimbursements to District Employees – This review was conducted based on the testing results of from our review of ASB Fund Cash Receipts and Disbursements at 24 Selected Schools.² The development of a draft report is underway for this project.
 - Cadman Elementary School: Review of Selected Financial Operations – This review planned to test transactions related to the ASB Fund, the District's purchase card (P-Card) system, and the T&L-system. Our objectives are to determine whether the: (1) ASB Fund operated in compliance with the applicable laws, regulations, Board of Education (BOE) policies and the District's Administrative Procedures (APs) (2) Cadman Elementary School complied with the applicable policies and APs for the operation of the P-Card program; and (3) the T&L complied with the internal control system and the leaves taken were documented. OIA issued this report on 16 July 2015 (Report Number: 15-04)
 - Follow-up Review Finance Division: Medical and Dental Accruals Determine the corrective actions taken on the Audit of Medical and Dental Insurance Costs. OIA issued this report in September 2014. As of 31 December 2015, this project is in the reporting stage.
 - District Vehicles: Review of the Use and Control over District Vehicles. This project examines the controls in place for the District's fleet of vehicles and whether adequate controls are in place to prevent misuse or abuse of the vehicles. This project was undertaken as the result of a risk assessment and a hotline complaint. As of 31 December 2015 a draft report for this project has been developed and is under review.

¹ The results of this review were included in Associated Student Body Funds: Review of Cash Receipts and Disbursements at Selected Schools; Report Number: 15-07; 30 June 2015

² See footnote 1.

Projects Planned for Fiscal Year 2016

The projects listed below are planned to start during FY-16. These projects are subject to change and may be delayed or cancelled to address other priority issues and staffing levels. Requests for a project to be cancelled or deferred may come from the Superintendent, Audit and Finance Committee or the Board of Education.

We have included in each project's description a list of planned objectives. The objectives are based on our knowledge of the subject area and a preliminary assessment of the risks involved in the operation of the organization, program or function. As better information is developed during our project survey, we will amend the planned objectives to address the needs that we identify.

District-wide Review of the Purchase Card (P-Card) Program

This project will assess the management of the District's P-Card program and the compliance with the P-Card policies and procedures by the Central Office's departments and offices in addition to the schools. In prior audits and reviews at the schools, OIA has identified documentation and compliance issues with the use of the P-Cards. Additionally, the Central Office's departments and offices use of the P-Cards have not been reviewed in several years. This review will address the program's operations in selected Central Office departments and offices. With the introduction of a new P-Card vendor, this project will provide the P-Card program management with the opportunity to identify opportunities to improve the internal control environment and the compliance with program requirements.

This review will include testing in departments and offices in addition to the schools. We anticipate the need to use multiple samples and sampling techniques to accomplish the objectives. We carried this project over from our *FY-15 Internal Audit Work Plan*.

Vision 2020 Goal Supported

Business activities that use technology to maximize efficiency and keep resources focused on student achievement.

Employee Payroll and Time and Labor Reporting

The cost of compensation is SDUSD's largest single budgeted item. The District's payroll system is very diverse and relies on the accuracy of the reporting done through electronic systems in addition to the data entered by timekeepers at multiple locations. As part of this project we will review the effectiveness of the electronic systems, such as SAMS (Substitute Attendance Management System) to provide reliable and timely data for attendance reporting and absence management.

This project is based, in part, on the number and types of payroll and time and labor reporting findings generated at the school sites. Further, the Central Office departments and offices have not undergone a review in this area in several years. Additionally, the project will review the controls and safeguards for personally identifiable information (PII) held it both within the payroll system and in physical files in multiple locations.

We will employ both statistical and non-statistical sampling methodologies to evaluate the effectiveness District’s controls. Additionally, we plan to conduct walkthroughs of various transaction types at school sites and Central Office locations.

Vision 2020 Goal Supported

Competitive salaries and benefits used to attract the best teachers, principals, support staff and senior management.

*Information
Technology: Controls for
Sensitive Assets*

The District routinely, through its operating budget and grant funds, acquires a wide variety of equipment and other assets that do not reach the cost threshold to have them recorded in the asset records. This equipment includes desktop and laptop personal computers, tablets, printers and other peripherals, and smart/cell phones. These are desirable assets and easily stolen.

This project’s planned objectives are to: determine whether the controls for these information technology assets are effective; verify that Information Technology Support Services (ITSS) has implemented controls to protect the data held by these devices; and that the inventory provides accurate data on the types and locations of selected assets.

Vision 2020 Goal Supported

Access to technology

*District-wide Continuity
of Operations Plans and
Emergency
Preparedness*

Providing safe, effective, and efficient facilities for all District students and staff is one of the key missions of the District. This review will address the process used by the District to address the loss or inability to use one or more buildings, the emergency preparedness plans to support the students and staff should a “shelter-in-place” or similar directive be issued, and the total loss of mission critical systems and controls, both electronic and manual systems. This project will include reviews of the school and District offices continuity of operations plans and test results, and reviews of the District’s disaster planning at both the District and individual facility levels. We will also compare the District to a sample of other California school districts and districts in other areas.

Vision 2020 Goal Supported

Schools will be safe, attractive neighborhood learning centers.

Audit of Selected School Financial Operations

These audits will verify that the financial activities at selected schools are properly managed and controlled in compliance with the SDUSD policies and procedures. OIA designed these audits to assist SDUSD in fulfilling its oversight responsibilities over school financial operations such as the management of ASB funds, imprest funds, use and control of the P-Card program, and time and attendance reporting. Specific schools to undergo these audits will be identified by OIA staff and from requests from the Superintendent and the Area Superintendents.

Vision 2020 Goal Supported:

Ability to effectively plan for the use of fiscal resources to support school activities

Hotline Complaints

OIA is tasked with investigating the Hotline complaints received through the SDUSD Hotline program. The Hotline program is designed to provide SDUSD staff and the public with a location to provide reports of potential fraud, waste, and abuse issues within SDUSD. These complaints often cover a wide range of areas and address issues at school sites, within various school programs, and the Central Office operations. These complaints provide OIA with an insight into the operations and provide us with leads for future audits, evaluations, and inspections.

The results of the investigations are provided to appropriate SDUSD senior management and activity managers for various actions.

Vision 2020 Goal Supported:

District will facilitate communication with broader community and elected leaders at all levels.

Follow-up of Audit Recommendations

Conducting follow-ups of prior audit recommendations provides SDUSD management with assurances that the recommendation has been implemented and is effective in resolving the conditions found during the audit. As part of this plan, OIA intends to perform follow-up reviews on audit reports that we issued in prior periods.

Our follow-up reviews may include the following steps to determine the status of the recommendations: (i) inquires of management to determine what steps were taken to implement the recommendation and the status of each of those steps; (ii) selective on site reviews and testing of specific recommendations that were included in one or more audits of the area, and (iii) on site reviews and testing of the corrective actions taken on a single report to determine whether the data reported on the recommendation was reliable and whether the planned corrective actions were implemented as outlined in the response to the audit.

Vision 2020 Goal Supported:

Ability to effectively plan for the use of fiscal resources to support school activities

Unplanned Audits and Other Projects

This work plan is intended to be dynamic and flexible, so that OIA is able to respond to changing environments, priorities, and emerging risks. The Board of Education, Audit and Finance Committee, Superintendent, and other senior managers may request OIA to perform projects not included in this work plan. This category addresses those requests.

Some of the projects listed in this work plan may not be carried out due to changing priorities, staffing availability, and emerging issues that require OIA devote additional resources to those areas. OIA will provide updates to the work plan as they are warranted and as new information is received during the year.