

MEETING AGENDA
Board Audit Committee

6:00 PM

September 11, 2018

East Side Union High School District Education Center
Superintendent's Conference Room
830 North Capitol Avenue
San Jose, CA 95133-1398

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meeting of the Audit Committee, please contact the office of the District Superintendent at (408) 347-5011. Notification 72 hours prior to the Special Meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.

1. Call to Order/Roll Call

2. Introductions

3. Adopt Agenda

4. Special Order of Business

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As an unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Committee may instruct the Chair to agendize the item for a future meeting.

6. Approval of Minutes

Action: Minutes from the March 27, 2018, meeting will be presented for approval.

Chair / Vice Chair

7. Discussion/Action: Updates

Frank Biehl, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

Superintendent / Associate Superintendent of Business Services

8. Discussion/Action: New ERP Financial and Human Resources Management Solution

Chris Jew, Associate Superintendent of Business Services, Janice Unger, Director of Bond Purchasing and Contracts, Randy Phelps, Chief Technology Officer, will provide an update on the new Enterprise Resource Planning (ERP) Financial and Human Resources Management Solution.

9. Discussion/Action: Child Nutrition Services Point of Service System Update

Chris Jew, Associate Superintendent of Business Services, and Julie Kasberger, Director of General Services, will present a progress update on the recommendations from the Child Nutrition Services Audit Report FY16-02 dated August 21, 2015, originally presented to the Audit Committee on August 25, 2015, with an update on December 7, 2015 and September 12, 2017. A presentation will be given about

the Point of Sale System for ala carte items implementation as originally presented on September 12, 2017.

10. Discussion/Action: Associated Student Body (ASB)

Chris Jew, Associate Superintendent of Business Services, Silvia Pelayo, Director of Finance, and Cathy Nguyen, Accounting Manager, will provide an update from the Vavrink, Trine, Day & Co., LLP (VTD) external auditor's results of the school sites testing as presented to the Audit Committee on March 27, 2018.

Senior Manager of Internal Controls

11. Discussion/Action: Fraud, Waste and Abuse Hotline

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

12. Discussion/Action: Cash Handling and Associated Student Body (ASB)

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

13. Discussion/Action: Draft Internal Audit Reports

Kelly Kwong, Senior Manager of Internal Controls, will present the draft internal audit reports

- A. Principal Revolving Fund (FY19-1)
- B. District Clearing Account Fees – Lost Textbook Fines (FY19-2)
- C. District Clearing Account Fees – Advanced Placement Testing Fees (FY19-3)
- D. District Clearing Account Fees – Child Care Program Fees (FY19-4)

14. Discussion/Action: Proposed Annual Audit Work Plan

Kelly Kwong, Senior Manager of Internal Controls, will present the Proposed Annual Audit Work Plan for 2018-19.

Audit Committee Business

15. Discussion/Action: Future Meetings

- December 11, 2018

16. Superintendent/Associate Superintendent Communications/Comments

- Chris Jew, Associate Superintendent of Business Services

17. Audit Committee Member Comments

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

18. Future Agenda Items

19. Adjournment

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Unapproved

Board Audit Committee

March 27, 2018

6:00 PM

East Side Union High School District
Education Center

Superintendent's Conference Room
830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

Chair Frank Biehl called the meeting to order at 6:09 PM.

Committee members present for roll call:

- *Chair Frank Biehl*
- *Member Bruce Berg*
- *Member DanJuchau*
- *Member Jon Reinke*
- *Alternate Rajesh Godbole*

Vice Chair Lan Nguyen was absent.

Staff present:

- *Kelly Kwong*
- *Silvia Pelayo*
- *Janice Unger*
- *Julio Lucas*
- *Sandy Nguyen*
- *Cathy Nguyen*
- *Mary Guillen*

Presenters present:

- *Vern Weber, Total School Solutions*
- *Joyce Peters, External Auditor – VTD*

2. Introductions

A welcome is extended to the current, reappointed and newly appointed members of the Audit Committee

- **Board Member Frank Biehl – Newly Appointed Chair, term to December 2018**
- **Board Member Lan Nguyen – Reappointed Vice Chair, term to December 2018**
- **Bruce Berg – Reappointed Member, term to January 2019**
- **Dan Juchau – Continuing Member, term to January 2019**
- **Jon Reinke – Reappointed Member, term to January 2020**
- **Rajesh Godbole – Newly Appointed Alternate Member, term to January 2019**

Chair Biehl extended a welcome to members of the Audit Committee and audience. Each Committee Member and members of the audience introduced themselves.

3. Adopt Agenda

There were no changes to the agenda.

4. Special Order of Business

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

There was no special order of business.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

There were no public speakers.

6. Approval of Minutes

Minutes from the December 5, 2017, meeting will be presented for approval.

Motion by Member Berg, second by Member Juchau, to approve the Board Audit Committee Minutes December 5, 2017, as presented.

Vote: 5/0; motion carries

Chair / Vice Chair

7. Discussion/Action: Updates

Frank Biehl, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

Chair Biehl shared with the Committee that he and Vice Chair Nguyen have been updated by Kelly Kwong on the work of the Audit Committee. There were no other items to report.

External Auditor

8. Discussion/Action: Annual Audit 2017-18

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the:

- A. 2017-18 engagement letter
- B. Results from the February 2018 school sites testing will be provided.

The 2017-18 engagement letter and summary of findings was shared with the Committee. In the summary, it was noted that items in red indicate deficiencies of control. Text in blue indicates that there are no deficiencies in the audited area. A visit was made to six school sites. The attendance audit was very clean. A few of the six sites were selected for an ASB audit. The most common ASB audit deficiency was separation of duties. The whole ASB as compared to the entire financials of the District is not material. These findings are not warranted for placement in the audit findings. The viewing of accounting information online helps to provide more awareness and transparency.

Chair Biehl requested that Julie Kasberger, Director of Child Nutrition Services, be invited to a future meeting to discuss the success and challenges of implementing POS terminals.

Superintendent / Associate Superintendent of Business Services

9. Discussion/Action: Bond Performance Audit

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, Sandy Nguyen, Capital Budget Manager, and Tahir Ahad, President, Total School Solutions, Vern Weber, Senior Consultant-Planning Management, will present the Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

Vern Weber, Senior Consultant-Planning Management for Total School Solutions, recently made a presentation to the ESUHSD Board of Trustees and will be providing the same presentation to the Audit Committee.

Total School Solutions did the performance audit on the 2015-16 and 2016-17 fiscal years. Moss Adams did the performance audit two years prior to those audits. Prior to that, Total School Solutions (TSS) also performed a prior bond performance audit.

Tremendous progress has been observed from the time of the earlier performance audit to the current audit. The Moss Adams report summary can be found in Appendix C of the TSS report, as well as TSS observations of the implementation of their recommendations, which were fully implemented. There were no outstanding issues uncovered in the TSS audit; no findings.

TSS looks not just at financial compliance, but all of the other compliances that go into a bond program, as well as evaluate the efficiency, effectiveness, and economy aspect of the study. A number of commendations, observations, conclusions and recommendations were presented in the report. It was recommended that the District look into purchasing a comprehensive construction management software program. Everything was in code compliance. The bond program outreach efforts are very effective.

10. Discussion/Action: Bond Performance Audit Recommendations Remediation Update

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, and Sandy Nguyen, Capital Budget Manager, will provide an update on the status of the remediation of the audit recommendations from Total School Solutions Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

There are eight recommendations listed in the matrix. Each recommendation has an assigned responsible party/parties. Once an item is implemented, the box in the matrix will be checked. Many of the recommendations are in progress or under review. Anticipated completion dates are listed in the matrix.

A progress report will be provided at the next meeting.

11. Discussion/Action: Employee Car Allowance and Mileage Reimbursement – Final Remediation

Silvia Pelayo, Director of Finance, will report on the final resolution of the Employee Car Allowance and Mileage Reimbursement Audit Report FY17-07 dated September 13, 2017, originally presented to the Audit Committee on September 12, 2017 as a draft and final to the Board on September 19, 2017.

The District will be paying by March 30 four identified employees a car allowance through the payroll process. It is an inequity that was discovered and will be corrected and retroactively paid to the four employees. The District is also reviewing a way to prevent this from happening again. One way will be an annual position control review between Human Resources and the Payroll Office. It was also indicated that a manual monthly review may be necessary until they are able to go to an automated tracking system.

Senior Manager of Internal Controls

12. Discussion/Action: Cash Handling and Associated Student Body (ASB)

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that site trainings will continue. There are three new hires. Kelly periodically reviews the equity given the feedback received from VTD. She meets with the sites on their specific findings.

13. Discussion /Action: Fraud, Waste and Abuse Hotline

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

Since the last meeting, two calls have been received. Both calls were personnel-related matters and provided to Human Resources for investigation.

Audit Committee Business

14. Discussion/Action: Future Meetings

Audit Committee to schedule the next meeting.

Future Board Audit Committee meetings have been scheduled for September 11, 2018, and December 11, 2018. Both meetings will begin at 6:00 PM in the ESUHSD Superintendent's Conference Room.

15. Superintendent/Associate Superintendent/Director Communications/Comments

- Silvia Pelayo, Director of Finance

The RFP for the new financial/human resources system will be released by April 2, 2018. Proposals will be due April 30. In May, the analysis and demonstrations of the proposals, including the system selection, will occur. In June 2018, a recommendation will be presented to the Board for their consideration and approval. A parallel systems run will occur for six months and then going live July 2019.

16. Audit Committee Member Comments

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

There were no comments made under this item.

17. Future Agenda Items

Recurring calendar item:

<i>Item</i>	<i>Date</i>	<i>Submitted By</i>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>

18. Adjournment

Chair Biehl adjourned the meeting at 7:22 PM.

Respectfully submitted,

*Frank Biehl
Board Audit Committee Chair*



RFP-21-17-18

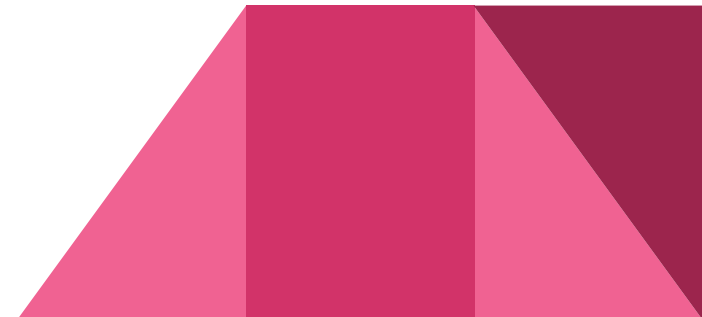
Enterprise Resource Planning (ERP) Financial/HR Management Solution

Presentation by: Randy Phelps, Chief Technology Officer and
Janice Unger, Director of Bond Purchasing and Contracts

Audit Committee Meeting of
September 11, 2018

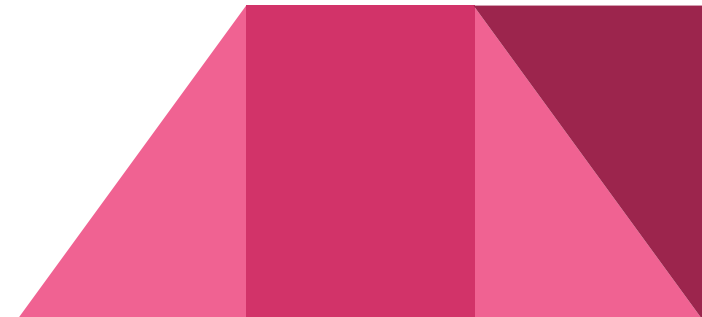
Modernizing Financial and Human Resources Processes

- Current Finance solution is not adequate for our needs and requirements
- Support from existing vendor has been inconsistent and inattentive
- Need for Human Resources Software integrated with Finance
- Need better finance planning
- Need easier and better access to users and web based
- Prefer modern 'cloud' system
- Prefer company that can provide needed support, resources, and capabilities



Adoption of Resolution # 2017/2018-08

- Competitive negotiation for Financial Management Information System Procurement and Implementation Public Contract Code Section 20118.2 was approved by the Board of Trustees to proceed with the procurement process on September 19, 2017.



Procurement Process

RFP-21-17-18 for ERP (Enterprise Resource Planning) Financial/HR Management Solutions was released on April 2, 2018, to ten (10) known firms and advertised in two (2) local publications for two (2) consecutive weeks.

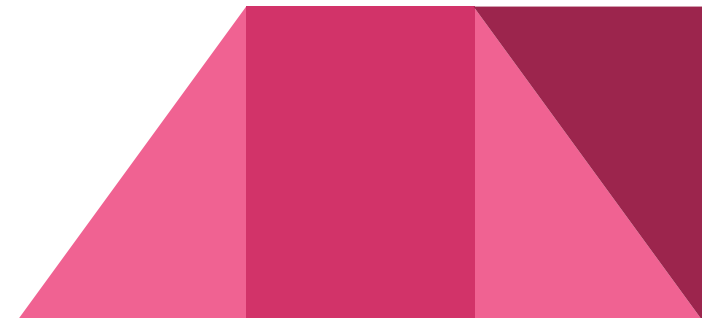
The District received four (4) proposals on April 30, 2018:

1. Digital Schools of Calif., L.P.
2. Escape Technology
3. Harris Schools Solution (QCC)
4. Tyler Technologies, Inc.



Evaluation Team

- Evaluation of the proposals received was completed through the Planet Bid's Evaluation tool.
- Sixteen (16) staff members from multiple departments for the district were asked to participate.
- Scoring duration was from May 3, 2018, through week ending May 11, 2018.

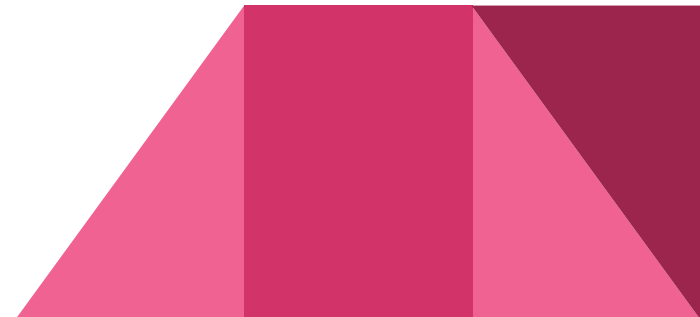


Proposal Evaluation Summary

Criteria Proposal Evaluation	Weight	Digital Schools of Calif.,L.P.	Escape Technology	Harris Schools Solutions	Tyler Technologies, Inc.
Procurement Requirements Assessment – Level 1	15	10.8	11.7	1.7	13.1
Detailed Proposal Assessment – Level 2	10	7.4	8.2	1.2	9.1
Software Demonstrations (Sample documents, screenshots, reports)	15	9.8	11	1.9	12.7
Final Contract Negotiations – Overall responsiveness to RFP	10	6.9	7.9	1.0	8.7
Cost Evaluation (Scored by Planet Bids)	30	13	7	30	16 Sub Total =(59.6)
Presentation Evaluation Live Software Demonstration/Interview with short listed firms	20	0	0	0	17
Total Score	100	47.9	45.8	35.8	76.6

Presentation Round

- On May 16, 2018, the Evaluation Team met and after reviewing the proposal scores, elected to only interview Tyler Technologies, Inc. since they had scored the highest.
- On May 22, 2018, Tyler Technologies, Inc. presented their product solution with an all-day eight (8) hour presentation to the Evaluation Team as well as other end users. Sixty-six (66) staff members were invited to participate.
- Following the presentation, the Evaluation Team scored the interview by way of consensus scoring. Tyler Technologies earned seventeen (17) out of possible twenty (20) points assigned.

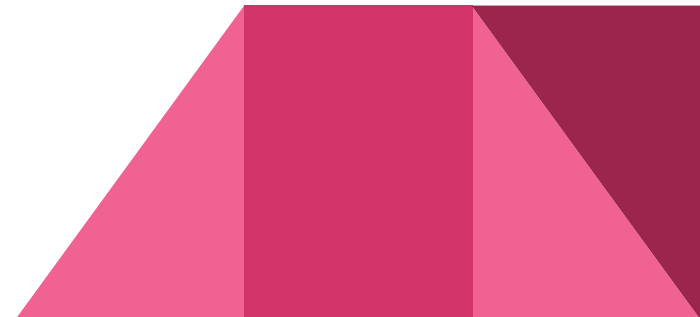


Fiscal Impact

\$ 1,255,450.00 – General Fund 03 (Includes \$105,450.00
Estimated Travel Expenses)

\$ 1,063,880.00 – Measure Tech I Bond

\$ 2,319,330.00 – Total (5) Years (Annual Recurring fees
\$ 338,926.00 included)

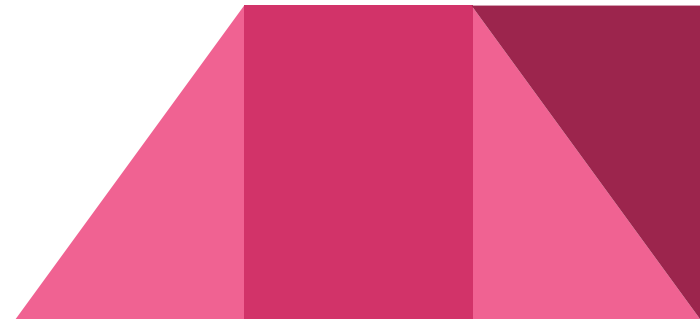


Staff Recommends

It is recommended that the Board of Trustees approve the SaaS agreement, Statement of Work and SaaS final proposal with Tyler Technologies, Inc. for the ERP (Enterprises Resource Planning) Financial/HR Management Solution and Implementation Services for the total amount not to exceed \$2,319,330.00 for (5) year term effective start date September 1, 2018, through August 31, 2023, with a target go-live date of all phases system wide January 2020.



Q & A



Item #9

Point of Service System

PRESENTED TO ESUHSD AUDIT COMMITTEE

SEPTEMBER 11, 2018



To Cover Tonight

What is “Point of Service/Sale” (POS)

History to this Point

New System – Mosaic by Heartland Solutions

POS Locations

Benefits

Obstacles

Questions

What is “Point of Service/Sale”

Computerized accountability system – “Cash Register”

- Captures meals served by category – Federal Regulation
- Captures cash collected by item – by student
- Reconciles food prepared with food served
- Reconciles snack items offered to items sold
- Accountability for all items sold

History to this point

2016-17 – Current Point of Service System was no longer supported

- Moved to Infinite Campus Point of Service System
 - Meal Application Processing
 - POS Terminals on all *Reimbursable* service lines
 - Very cumbersome reconciliation process
 - Limited report information
 - No Summer Feeding application
 - No Supper Program application
 - No on-line meal payment
 - VERY slow generating reports
 - Infinite Campus *DID* have “Households” to capture all students in ESUHSD
 - Infinite Campus is a student information system – not point of service system

Selection Process

Visited feeder districts

Demonstrations

User feedback

Piggy-Back Bid

Mosaic by Heartland Solutions

New System – Mosaic by Heartland Solutions

Utilize current terminals and pin pads

ESUHSD staff have control of program – immediate solution to problems

MUCH more user friendly

Mosaic provided six days of on-site training

Staff already familiar with terminal layouts

Identify by item sold with daily terminal layouts

MUCH more user friendly reports

All program applications are available – summer feeding/supper/after school snack

POS Locations

Using terminal at all schools on all lines

- All reimbursable lines = 149
- All Ala Carte Lines = 66
- All Salad Bar Lines = 12
- All Charter Schools except – San Jose Conservation Corp – Senter and Berger

Benefits

Better Accountability

Additional Modules

- Meal Applications
- NutriKids – nutrient analysis
- On-Line payment – meal AND ala carte

Better reports

All programs are in one system

Less expensive

ESUHSD has more customization

Great implementation support

Ability for “cashless” system

Obstacles

First 3 days of school – new system

Questions



Preparing every student to thrive in a global society.

Date: September 7, 2018
To: Chris Jew, Associate Superintendent of Business Services
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Principal's Revolving Fund (FY19-1)

EXECUTIVE SUMMARY

Purpose

To review Principal's Revolving Fund 2017-18 for all sites against District policies and guidelines and provide recommendations for improvement.

Background

Board adopted Resolution #2011/2012-10 on October 20, 2011, under Item 12.02, authorizing opening of revolving fund accounts for school sites for \$3,000 to pay for small purchases of urgent services and supplies. A transaction is limited to \$1,000. Nine out of the eleven comprehensive schools are utilizing a Principal's Revolving Fund.

Procedures

Reviewed a selected sample of Principal's Revolving Fund bank reconciliations from July 1, 2017, to June 30, 2018, and the following policies:

1. District Board Policy 3314.2 Revolving Funds, adopted October 16, 2014
2. District Administrative Regulation 3314.2 Revolving Fund, approved October 16, 2014
3. District Revolving Guidelines, not dated

Auditor's Summary and Conclusion

Observations and recommendations are noted as follows:

1. Guideline should be updated and widely available
2. Need oversight and enforcement of compliance to policies
3. Various commercial banks
4. Transparency of transactions

Please refer to the Observations and Recommendations section of this report for a detailed discussion of items identified and Internal Auditor's recommendations to address those items.

Distribution:

Superintendent's Council

East Side Union High School District Board of Trustees

J. Manuel Herrera, President

Pattie Cortese, Vice President

Lan Nguyen, Clerk

Frank Biehl, Member

Van T. Le, Member

Chris D. Funk, Superintendent

A. Observations and Recommendations

Internal Audit will follow up to determine when management has addressed these items within an agreed time frame.

1. Guideline Should Be Updated and Widely Available

District Revolving Account Guidelines (Guidelines) is not dated and most recent distribution was via email on August 18, 2018. Email is not a reliable retrievable source given employee turnover. There is no repository to retrieve the Guidelines.

District's repository of policies currently includes three types without mention of guidelines

1. Board policies
2. Administrative regulations
3. Administrative bulletins

<http://www.esuhd.org/BoardSuperintendent/Policies-Admin.-Regulations--Bulletins/index.html>

Recommendation

Business Services should update the Guidelines with effective dates for version control and provide a web link for archiving and easier retrieval. District should either add a fourth type of policy, guidelines, or extend the current Administrative Regulation 3314.2 Revolving Fund to include the contents of the Guidelines so that the Guidelines can be eliminated.

2. Need Oversight and Enforcement of Compliance to Policies

Policies require monthly submissions of Principal's Revolving Fund bank reconciliations. Business Services requested for submissions at fiscal year-end but did not complete the review and/or document the review. Of the submissions received, some reconciliations were not adequately performed or were not in compliance to policies and not enforced timely.

Recommendation

Business Services should review on a monthly basis the adequacy of the submissions and the compliance to policies. Enforcement must be timely.

3. Various Commercial Banks

Not all schools are using the District Office designated commercial bank. Site administrators are the authorized signers. None of the bank accounts have Business Service as an authorized signer.

Recommendation

All schools should use the District Office designated commercial bank and all bank accounts should have at least two representatives from the Business Office as an authorized signer.

4. Transparency of Transactions

Some schools utilized ASBWorks accounting system to maintain the Principal's Revolving Fund; whereas, other schools are maintaining it hard copy only. Difference depends on who maintains the checking account. If it is the School Finance Clerk, employee has access to ASBWorks. If it is the Principal's Secretary, employee does not have access to ASBWorks.

Recommendations

All transactions should be maintained in ASBWorks accounting system for better transparency and oversight review. Either the School Finance Clerk should assume the responsibility or the Principal's Secretary should be given access and trained to use ASBWorks.



Preparing every student to thrive in a global society.

Date: September 7, 2018
To: Chris Jew, Associate Superintendent of Business Services
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Lost Textbook Fines Audit Report (FY19-2)

EXECUTIVE SUMMARY

Purpose

To review the lost textbook fines procedures and results and provide recommendations for improvement.

Background

Lost textbook fines is a district clearing account. School Finance Clerks collect the money at the school sites, takes the funds to the commercial bank, and report the funds to the District Office Business Services to record entries into the QSS accounting system.

Procedures

Interviewed a few Bookroom Clerks, Technicians and School Finance Clerks at the school sites. Performed a three year trend analysis of textbook fines recorded in ASBWorks and the QSS accounting system.

Auditor's Summary and Conclusion

Observations and recommendations were noted as follows:

1. Lack of segregation of duties with cash handling
2. Need District Office oversight, training, and standardized procedures
3. Update access to Follett book system

Please refer to the Observations and Recommendations section of this report for a detailed discussion of items identified and Internal Auditor's recommendations to address those items.

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Van T. Le, Member

Chris D. Funk, Superintendent

A. Observations and Recommendations

Internal Audit will follow up to determine when management has addressed these items within an agreed time frame.

1. Lack of Segregation of Duties With Cash Handling

The School Finance Clerk collects the textbook fines, clears the outstanding book in the Follett book system, and remits the funds to the District Office Business Services to record into the QSS accounting system. Receipts are not always generated from the ASBWorks accounting system.

Recommendation

Custody of assets, recordkeeping, authorization, and control should be separated.

School Finance Clerks should continue to collect the cash and should immediately record the transaction into ASBWorks and provide the student a system generated receipt. Manual receipts must not be allowed. There should be a sign to notify students that they should always get a system generated receipt.

School Finance Clerk must not have edit access in Follett. It should be view access only. Bookroom Clerks should access ASBWorks directly to determine which students paid for which textbooks and update the Follette system accordingly.

Instead of Business Services accepting funds given by the School Finance Clerks, Business Services should access ASBWorks directly to determine what fees have been collected to forecast and ensure all funds are remitted by the School Finance Clerks for completeness in the QSS accounting system and bank account.

Business Services should timely monitor and perform trend analysis to ensure textbook fines is reasonable at each school each year especially during the end of each semester of December and May.

2. Need District Office Oversight, Training, and Standardized Procedures

Collection efforts and results vary across all schools. Bookroom Clerks and Technicians use their own networks to navigate the Follett book system on how to enter information and run reports. A couple of schools use School Loop for electronic communicate collection efforts.

Recommendation

There should be District Office oversight to ensure each employee is properly trained and best practices are shared amongst all school sites. There should be standardized procedures to ensure the integrity and accuracy of the Follett book system with meaningful reports to reconcile and ascertain completeness of textbook fines recorded and collected.

3. Update Access to Follett Book System

There are almost 3,000 user identifications with access to the Follett book system, which included terminated employees and generic names such as Site Administration or Textbook Administrator. About 5% of users have edit functions such as delete, waive, or pay.

Recommendation

User access to the Follett book system should be reviewed and updated accordingly. Remove terminated employees and any generic identifications that is not a specific current employee. As noted above, School Finance Clerks should only have view access and no edit capabilities.



Preparing every student to thrive in a global society.

Date: September 7, 2018
To: Chris Jew, Associate Superintendent of Business Services
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Advanced Placement Testing Fee Audit Report (FY19-3)

EXECUTIVE SUMMARY

Purpose

To review the Advanced Placement (AP) Testing Fee procedures and results and provide recommendations for improvement.

Background

AP Testing Fee is a district clearing account. School Finance Clerks collect the money at the school sites, takes the funds to the commercial bank and report the funds to the District Office Business Services to record entries into the QSS accounting system.

Procedures

Internal Auditor reviewed the AP Testing Fees for 2017-18 as recorded in the ASBWorks Sales Journal, ASBWorks Clearing, QSS accounting system, and against paid invoices.

Auditor's Summary and Conclusion

Observations and recommendations were noted as follows:

1. Lack of segregation of duties with cash handling
2. Inconsistent fees

Please refer to the Observations and Recommendations section of this report for a detailed discussion of items identified and Internal Audit's recommendations to address those items.

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Lan Nguyen, Clerk

Frank Biehl, Member

Van T. Le, Member

Chris D. Funk, Superintendent

A. Observations and Recommendations

Internal Audit will follow up to determine when management has addressed these items within an agreed timeframe.

1. Lack of Segregation of Duties With Cash Handling

The School Finance Clerk collects the AP testing fee and records it into the ASBWorks Sales Journal and or ASBWorks clearing account. School Finance Clerk periodically remits the funds to the District Office Business Services to record into the QSS accounting system. Unless a student receives a system generated ASBWorks receipt, it's unclear whether the School Finance Clerk entered the fees collected into ASBWorks. School Finance Clerk provides the Counselors the list of students and tests.

Recommendation

Custody of assets, recordkeeping, authorization, and control should be separated.

School Finance Clerks should continue to collect the cash and must immediately record the transaction into ASBWorks and provide the student a system generated receipt. Manual receipts must not be allowed. There should be a sign to suggest the AP test is free if a ASBWorks system generated receipt is not issued.

Instead of Finance Clerks providing the Counselors the list of students and tests, Counselors should access ASBWorks directly to determine which students paid for which tests.

Instead of Business Services accepting funds given by the School Finance Clerks, Business Services should access ASBWorks directly to retrieve what fees have been collected to ensure all funds are remitted by the School Finance Clerks for completeness in QSS accounting system and bank account.

Business Services should timely perform trend analysis to ensure AP testing fees remitted are reasonable at each school each year.

Prior to paying each school's AP testing invoice, a reconciliation should be performed to ensure AP testing fees collected and remitted are adequate and complete and the number of tests reconciles between ASBWorks and the invoice.

2. Inconsistent Fees

The College Board recommends students pay \$94 per exam and majority of the schools charged \$94 but one school each charged \$92, \$93 and \$95. One school had several different rates, which seems subjective.

Recommendation

Fee should be consistent district wide among all schools.



Preparing every student to thrive in a global society.

Date: September 7, 2018
To: Chris Jew, Associate Superintendent of Business Services
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Child Care Program Fees Audit Report (FY19-4)

EXECUTIVE SUMMARY

Purpose

To review the Child Care Program Fee procedures and results and provide recommendations for improvement.

Background

Child Care Fee is a District clearing account. There are five school sites that have a child care center on campus.

Procedures

Internal Audit reviewed the monthly child care fees collected for 2017-18 per the monthly registers submitted by Site Supervisors and compared it against ASBWorks and the QSS accounting system. Internal Audit performed site visits in June and July 2018 at all five child care centers and interviewed personnel at each site.

Auditor's Summary and Conclusion

Observations and recommendations were noted as follows:

1. Lack of segregation of duties with cash handling
2. Use pen and not pencil

Please refer to the Observations and Recommendations section of this report for a detailed discussion of items identified and Internal Auditor's recommendations to address those items.

Distribution:

Superintendent's Council

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Chris D. Funk, Superintendent

A. Observations and Recommendations

Internal Audit will follow up to determine when management has addressed these items within an agreed time frame.

1. Lack of Segregation of Duties With Cash Handling

Each child care center Site Supervisor sets the monthly fee, collects the money in cash only, and remits the funds to the School Bank. The School Finance Clerk records the funds in ASBWorks and deposits the funds at the commercial bank. Business Services accepted what was received without a forecast; therefore, completeness could not be ascertained.

Recommendation

Custody of assets, recordkeeping, authorization, and control should be separated. There should be more checks and balances and oversight.

Response

District is reviewing online application software programs that will allow online payments and more transparency and oversight.

2. Use Pen and Not Pencil

Unusual and unexpected that majority of documents were in pencil.

Recommendation

Employees should use pen and not pencil since pen is more permanent and protected against unauthorized changes after the fact.



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**EAST SIDE UNION HIGH SCHOOL DISTRICT
Senior Manager of Internal Controls
Annual Audit Work Plan - **DRAFT**
2018-19**

1. International Student Program
2. Benefits: Eligibility
3. Benefits: Retirees
4. Information Technology Purchases
5. Ongoing Projects
 - A. Fraud, Waste and Abuse Hotline
 - B. Associated Student Body (ASB)
 - C. School Connected Organizations
 - D. External Audit Support
 - E. Administration Requests
 - F. Follow Up on Previously Issued Internal Audit Reports