

2018-19 AUDIT FINDINGS

This is a list of findings from the municipal auditors review of all 197 school districts and 19 education service districts in Oregon's K-12 education system. This report encompasses all fund types, which includes federal, state, and local funds and programs totaling approximately \$10 billion per year. The posting of these findings is intended to provide transparency and awareness for all K-12 stakeholders in an attempt to mitigate areas of risk in our financial reporting and accountability systems for schools.

Finding: There is inadequate segregation of accounting duties within the business office resulting in few checks and balances over the majority of the accounting functions. Limited segregation of duties was noted in various areas, particularly disbursements. Due to the limited number of available personnel, it is not always possible for the District to adequately segregate certain incompatible duties so that no one employee had access to both physical assets and the related accounting records or to all phases of a transaction.

Finding: Multiple instances were found where vendor checks had been written and the documentation for the payment was incorrect or inadequate. Of 40 checks selected for testing, 8 contained inadequate supporting documents. Of those, three were overpayments.

Finding: A single employee had authority to post journal entries without approval. A single employee had authority to process payroll, approve purchase orders, prepare checks and reconcile the back account. In addition, that person is an authorized check signer

Finding: The Superintendent is currently a check signer for the student body cash account, and Supt's spouse is the secretary who prepares the checks. Due to their personal relationship, the superintendent should not be a check signer for this account.

Finding: We noted that the General checking account reconciliation was not accurate. We noted checks that cleared after yearend were showed as having cleared on the bank reconciliation. Additionally, some checks that had cleared the bank prior to year-end, showed as still outstanding on the bank reconciliation.

Finding: Bank reconciliations were not prepared, reviewed and approved timely, and additionally, they were signed off prior to reconciliations being printed. Timely reconciliations were not completed on the district's cash, receivables and payables.

Finding: Numerous errors were discovered related to the recording of receivables and payables at the end of the year. A large entry had been made to record accounts payable but was entered backwards, resulting in an understatement of accounts payable by over \$164,000. An invoice for June construction costs of nearly \$266,000 was recorded as July costs and posted into the wrong budget year. Proceeds from a capital lease of \$38,754 was not booked.

Finding: A material dollar amount of construction invoices for work performed in June 2019, was recorded as an expense of July 2019, which is a difference accounting period from when the expense was incurred.

Finding: About 20% of the number of licensed staff's years of experience, as reported to the ODE, that were tested during the audit were not correct.

Finding: District engages their auditors to provide non-attest services for the preparation of its financial statements. At the end of the fiscal year auditor assisted district draft their financial statements.

Finding Financial Statement Preparation: The district's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes. The District lacks personnel with the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Finding: Although we [auditors] believe the District has staff with the ability to understand review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Audit Standards and AICPA 101-3; our assistance in drafting the financial statements described above produces a significant deficiency in the District's internal control system.

Finding Transportation Costs: Internal controls should be in place to ensure that only approved costs are recorded in Function 2550 within the General Fund. Of the expenditures tested, we found transactions of non-compliance.

Finding: With the implementation of GASB 73 and 75, actuarial variations of other post-employment benefits (OPEB) need to make.

Finding Title I: Payroll charges were allocated equitable between federal/nonfederal programs. Grant reimbursement claims were submitted for reimbursement prior to funds being expended. The District expended Federal funds on gift cards, as well as reimbursing student body funds for the Title I purchases. In accordance with Oregon law, student body funds should not be expended on any items not specifically for student activities.

Finding CFDA 10.553/55/59 Child Nutrition Cluster: Auditor selected three month's claims for testing. All months contained errors in math on the daily count sheets. One month contained an error in bringing amounts forward from the daily sheets to the monthly recap sheets. Because of the math errors, the meal counts claimed were inaccurate for all of the months tested. As a result, the District over claimed reimbursement on this grant. A significant deficiency in controls over compliance was identified for controls over compliance requirements A and B from 2019 Office of Management and Budget (OMB) Compliance Supplement. Controls over employee timecards were found not to be implemented as designed. Federal Finding: Compliance of free and reduced lunches. The report incorrectly categorized a household as responding and requiring adjustment, but the household did not respond which caused the adjustment.

Finding CFDA 10.558 Child and Adult Care Food Program: The October 2018 OMER submitted by the District included students who were not enrolled in the Daycare Center. Also, District staff marked several enrollees as Free status when there was no CIS on file to support this. As a result the District's reimbursement rate was incorrect.

Finding: Revenue audit procedures revealed a material understatement of food service revenue due to the value of noncash commodities received not being recorded.