

## 2020-21 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: Child Nutrition Cluster CFDA 10.555; 10.559.** The District was not aware they were subject to an audit under the requirements of the Uniform Guidance as expenditures of federal awards exceeded \$750,000 and did not produce or otherwise arrange for the required audit.

**Finding: Child Nutrition Cluster CFDA 10.555; 10.559.** The district did not have sufficient controls in place to ensure all those counting meals provided were using the same documentation methodology.

**Finding: Title A. CFDA 84.010 & IDEA Part B, Section 691. CFDA 84.173.** The district did not properly code payroll deductions in their accounting

**Finding: Title I Grants to Local Education Agencies CFDA 84.010.** The District was not in compliance with the Uniform Guidance as it was noted that management of the District was not preparing time and effort distribution records and could not produce source documentation to support the time and effort applied to payroll expense that was charged to Title I Grants to local Education Agencies.

**Finding:** Review and approval procedures were designed appropriately, however, they did not operate effectively. The indirect rate charged to the ESSER grant was not updated when new rates were communicated to the District. **Questioned Cost:** \$1,255.

**Finding:** The District should have control processed in place to ensure that allowable costs are properly claimed and reported to the grantor in the correct period. There were several grant programs during the year with similar allowable costs related to COVID19 and changing requirements as guidelines became available.

**Finding:** [Auditors] evaluation of the District's internal control structure disclosed that the District does not have adequate segregation for duties.

**Finding:** A capital lease was not properly recorded at June 30, 2021.

**Finding:** A single employee has authority to process payroll, approve purchase orders, prepare checks and reconcile the bank account. In addition, that person is an authorized check signer.

**Finding:** Adequate controls were not in place to ensure payroll registers were reviewed for completeness and accuracy by someone independent of the payroll function.

**Finding:** Adequate segregation of duties in most areas was impractical due to the limited number of employees. The District has, however, developed alternative procedures, which mitigate this condition to some extent.

**Finding:** At the end of the fiscal year, the auditors CPA's assisted District draft their financial statements.

**Finding:** Audit procedures revealed a material understatement in capital outlay expense and a corresponding overstatement in repairs and maintenance expenses..

**Finding:** Auditor's evaluation of the District's internal control structure disclosed that the district does not have adequate segregation of duties.

**Finding:** Bank reconciliations during the year were not prepared in a timely manner.

**Finding:** Due to incorrect accruals in prior year, the fund account balance had to be restated to correct balances.

<p><b>Finding:</b> 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 has access to both physical assets and the related accounting records or to all phases of a transaction.</p>
<p><b>Finding:</b> During audit fieldwork it was discovered that the district back accounts had not been reconciled from October 2020 through June 2021. Furthermore, the district was unable to provide a reconciled balance when requested. The district had to contact an outside party for assistance with reconciling the cash accounts at year end.</p>
<p><b>Finding:</b> Evaluation of the district's internal control structure disclosed that the district does not have adequate segregation of duties.</p>
<p><b>Finding:</b> Finance staff does not prepare their own financial statements and instead has contracted with [auditor's] office to prepare the financial statements.</p>
<p><b>Finding:</b> Financial Reporting: Audit Adjustments - Cash, accounts receivable, and related revenue and expense, and liabilities were not properly recorded at June 30, 2021.</p>
<p><b>Finding:</b> In [auditors] review, there was lack of evidenced review and approval of the bank reconciliations.</p>
<p><b>Finding:</b> Inability to draft supporting notes to financial statements in accordance with account principles generally accepted in USA.</p>
<p><b>Finding:</b> Lack of Adequate documentation, the District was unable to produce documentation so that audit staff could verify the number of meals claimed for reimbursement by the Federal program.</p>
<p><b>Finding:</b> Lack of segregation of duties. The cause appears to be related to turnover in accounting personnel that left the District with only one individual to record and/or process certain transactions, including payroll.</p>
<p><b>Finding:</b> Material Weakness in controls over financial reporting and compliance was identified due to lack of timely reconciliations and reviews of various account balances, including accounts receivable, accounts payable, and accrued payroll.</p>
<p><b>Finding:</b> Material Weakness related to recording receivables and payables funds.</p>
<p><b>Finding:</b> Material Weakness: A material dollar amount of construction invoices for work performed in June 2021, was recorded as an expense in July 2020, which is in different accounting period from when the expense was incurred.</p>
<p><b>Finding:</b> Material Weakness: Inadequate internal controls over compliance related to federal grants.</p>
<p><b>Finding:</b> Missing valuation information for implicit rate subsidy for retiree health benefits.</p>
<p><b>Finding:</b> Notice of Serious Deficiencies dated July 13, 2021, found the District to be out of compliance with regulations related to the food service program, specifically that the District lacked an adequate system for documenting reimbursable meals served at the point of sale.</p>
<p><b>Finding:</b> Our [auditor] evaluation of the district's internal control structure disclosed that the district does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.</p>
<p><b>Finding:</b> Over claiming of funds due to indirect costs being over charged.</p>
<p><b>Finding:</b> Program cost should be paid or expended before submitting a reimbursement request. Some of the costs claimed on the initial reimbursement and reports were from purchase orders, rather than paid expenses causing some reimbursements to be received prior to paying the costs or incurring the expense.</p>

<p><b>Finding:</b> Segregation of Duties: [Auditor's] evaluation of the District's internal control structure disclosed that the District does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.</p>
<p><b>Finding:</b> Segregation of duties: Due to the limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties.</p>
<p><b>Finding:</b> Significant Deficiency in internal control over financial reporting -- lack of segregation of duties.</p>
<p><b>Finding:</b> Significant Deficiency in recording deferred grant revenue.</p>
<p><b>Finding:</b> Significant Deficiency: Inadequate segregation of duties within the business office.</p>
<p><b>Finding:</b> The auditor noted a material weakness in our internal controls over cash disbursements where the Business Manager had access to initiate, approve and sign the checks for the cash disbursements.</p>
<p><b>Finding:</b> The district engages their auditors to provide non-attest services for the preparation of its financial statements.</p>
<p><b>Finding:</b> The District failed to appropriately record cash transactions related to the pension bonds, which led to a material misstatement of cash, liabilities, revenue, and expenditures.</p>
<p><b>Finding:</b> The District lack personnel with the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.</p>
<p><b>Finding:</b> The District relies on the auditor to assist in drafting the Government-Wide Financial Statements, including reconciliations from the Fund Financial Statements.</p>
<p><b>Finding:</b> The District was not in compliance with ORS regulations as it was noted that members of the school district board were also voting members of the public charter school governing body.</p>
<p><b>Finding:</b> The District's expenditure review was insufficient in preventing a check from a foundation being erroneously issued to pay for school expenses.</p>
<p><b>Finding:</b> The District's payable processing system did not operate as designed, and contractor payments were erroneously included in payroll expenditure object codes.</p>
<p><b>Finding:</b> The District's year end bank reconciliation had inaccurate outstanding items that were identified and corrected during audit procedures.</p>
<p><b>Finding:</b> The GO Bond Refunding was not recorded correctly in the financial statements.</p>
<p><b>Finding:</b> With the implementation of GASB Statements (GASBS) No. 73 and 75, actuarial valuations of early retirement stipends and other post-employment benefits (OPEB) related to the implicit medical subsidies need to be made.</p>