

## 2019-20 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 10.553, 10.555, 10.559:** The District was double reimbursed for the August 2019 meals for \$22,453. The August claim form was crossed out saying "Not paid - Combined with September", but it was actually submitted and reimbursement was received. The September claim form also included corrected amounts for both August and September resulting in a double reimbursement for August.

**Finding Child Nutrition Cluster:** During testing the District could not provide eligibility backup for some students receiving free and reduced lunch.

**Finding Special Education Cluster (IDEA) CFDA 84.027, 84.173:** The Excess Cost Calculator was not submitted to the Oregon Department of Education by the March 9, 2020 deadline.

**Finding Special Education Cluster (IDEA) CFDA 84.027:** The District was not in compliance with Uniform Guidance as it was noted that approved time and effort documentation was not available for all employees with payroll expenditures charged to the Federal program.

**Finding Special Education Cluster (IDEA):** The District was not in compliance with Uniform Guidance, as a request for reimbursement of allowable expenses was submitted before expenses were incurred. Management did not have a procedure in place to track Maintenance of Effort requirements.  
**Questioned Cost: \$43,465**

**Finding Special Education Cluster (IDEA):** We noted three individuals whose payroll related benefit charges were erroneously left in the program after transferring the payroll transactions out of the program. Although funds were paid out of Special Education cluster for the unapproved transactions, the amount was trivial to the program and were subsequently transferred out of the program.

**Finding Title I, Part A of the ESEA (CFDA 84.010):** The District was not in compliance with 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, part A. **Questioned Cost: \$127,342.**

**Finding:** The Districts has limited accounting staff available and existing staff do not have sufficient experience in accounting or with the accounting software to detect and prevent all errors.

**Finding:** A significant deficiency in controls over compliance was identified for controls over compliance requirements A and B from 2020 Office of Management and Budget (OMB) Compliance Supplement. Controls over employee timecards were found not to be implemented as designed.

**Finding:** 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:** 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:** 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:** During testing of staff that were receiving payment from the federal fund programs, a teacher was identified whose license had expired and had received funding reserved for Effective Instruction. **Questioned Cost: \$ 3,679**

**Finding:** Internal controls over timesheets are not operating as designed, as an outside party is currently reviewing timesheets for one staff member, rather than District management. Outside parties should not review and/or sign off on any timesheets of District staff.

**Finding:** Of the expenditures tested, [auditor] found transactions of non-compliance.

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

**Finding:** Several material entries were posted to the wrong fiscal year, resulting in revenues and expenses not being reported properly or being recorded in two different periods.

**Finding:** The District did not record directly financed loan proceeds for two transactions, requiring a restatement to the prior year financials and an audit adjustment in the current year.

**Finding:** The District did not review the Special Education employees in detail to ensure time and effort requirements were met. Required semi-annual certifications were not completed by the District because the District overlooked the requirements.

**Finding:** The district engages their auditors to provide non-attest services for the preparation of its financial statements.

**Finding:** 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:** 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.

**Finding:** The entries to record the [ASB and Athletics] activity were not prepared until mid-October and there were corrections required to properly reflect the balances and activity.

**Finding:** With the implementation of GASB 73 and 75, actuarial valuations of other post-employment benefits (OPEB) need to be made.

**Finding:** A single employee had authority to post journal entries without approval.

**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 the ESD draft their financial statements. The district's size and limited staff resources have made it difficult for management to draft the financial statements.

**Finding:** Business office staff are not familiar with the accounting software nor with the process of tracing expected balances to financial reports.

**Finding:** Management does not have a procedure in place to ensure that only allowable costs are recorded in the student transportation services expenditure function within the General Fund.

**Finding:** The auditor noted the District spent program funding on technology devices that exceeded the 15% cap related to technology infrastructure versus overall technology spending allowed by the Student Support and Academic Enrichment Grant CFDA84.424

**Finding:** The District failed to maintain proper evidence and documentation that the District's policies and procedures were being followed regarding multiple bank accounts.

**Finding:** The District purchased gift cards using student body monies with no verification for whom they were purchased or distributed.

**Finding:** The District's payable processing system did not operate as designed and contractor payments were erroneously included in payroll expenditure object codes.

**Finding:** There were deletes and errors in reconciling and reviewing the general ledger accounts, several schedules required correction, and the review process did not catch the errors.

**Finding:** There were significant corrections to the SEFA to properly report the amount of expenditures and to correctly categorize between grant programs.

**Finding:** Unrecorded pension and OPEB liabilities and related actuarially determined deferred inflows and outflows on the Statement of Net Position.