

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**Office of the Superintendent**

**Date: 03/28/11**

**Request For Placement on Board Agenda:**

**AGENDA TOPIC: 2009-10 Audit – Audit Findings**

**PRESENTER: Betty Skala, Director of Business Services**

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**Background Information:**

EC 41020 requires us to submit to County Office our signed Certification of Corrective Action which has been certified by the Board of Trustees at a regularly scheduled meeting.

Attached you will find the letter from GCOE requesting our certification addressing our audit findings contained in the 2009-10 audit.

**Recommendations:**

Authorize the Superintendent to sign the 2009-10 audit finding corrective action and submit to Glenn County Office of Education as required by EC 41020.

**2009 / 2010 Audit Finding Corrective Action**

**District:** Willows Unified School District

**Finding Category:** 60000

**Finding #:** 2010-1

**Page:**61

**Describe below specific corrective action used in resolving the audit finding:**

Specifically address each individual item within the finding. Be certain that your responses are clear and concise. You will need to provide all documentation, which supports the specific action taken towards resolving the finding: i.e. copies of amended reports, corrective action plans, written procedures, agendas and staff in-services, etc.

**Attach all pertinent documentation. Number of attachments to this finding:**

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Superintendent: \_\_\_\_\_

Date: \_\_\_\_\_

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2010**

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**Section II – Financial Statement Findings**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**Finding #2010-1: Financial Uncertainty (60000)**

**Condition:** Willows Unified School District filed qualified certifications on First and Second Interim reports with the Glenn County Office of Education for the fiscal year 2009-10. The qualified finding status states that the District is unable to meet its cash flow needs. In addition, the District did not meet their minimum 3% reserve at June 30, 2010. However, the District does have designated fund balance reserves amounting to \$1.2 Million in the Special Reserve Fund for Other Than Capital Outlay. This money is one-time in nature and designated for other purposes but might assist with meeting cash flow needs.

**Recommendation:** We recommend the District take the necessary corrective actions to meet their cash flow needs, including spending reductions, and borrowing funds, if necessary.

**District Response:** The District implemented a Fiscal Recovery Plan in 2008-09 and continues to update that plan via an annual "cut list". Over \$2.9 million has been cut since 2008-09 and the District continues to address financial stability via annual review of the proposed 2011-12 cut list. Post 2010-11 budget adoption, furloughs for all employees were implemented, some vacancies were not refilled, along with other changes that afforded the District an improved financial status.

**2009 / 2010 Audit Finding Corrective Action**

**District: Willows Unified School District**

**Finding Category: 30000**

**Finding #: 2010-2**

**Page:62**

**Describe below specific corrective action used in resolving the audit finding:**

Specifically address each individual item within the finding. Be certain that your responses are clear and concise. You will need to provide all documentation, which supports the specific action taken towards resolving the finding: i.e. copies of amended reports, corrective action plans, written procedures, agendas and staff in-services, etc.

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WILLOWS UNIFIED SCHOOL DISTRICT  
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**Finding #2010-2: Associated Student Bodies (30000)**

**Criteria:** Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

**Condition:** We found the following internal control deficiencies during the audit of Willows Intermediate School's ASB:

- One out of five cash receipts tested did not have appropriate supporting documentation that reconciled cash collected to cash deposited.
- Student approval is not being obtained for cash disbursements
- Checks are pre-signed by the principal and vice principal before payee and dollar amounts are completed.
- Student council minutes are not kept for clubs.
- Clubs do not have charters or constitutions on file.
- Student council does not prepare a budget or revenue potentials.
- Ticket logs and ticket sales reports are not used for dances.

We found the following internal control deficiencies during the audit of Willows High School's ASB:

- Three out of seven cash receipts tested were missing supporting documentation that reconciled cash collected to cash deposited.
- One out of seven cash receipts tested showed a shortage of \$62.

**Cause:** District ASB policies and procedures have either not been communicated to those with responsibility for managing ASB resources or are not being followed.

**Effect:** The possibility exists for waste or abuse of ASB resources without timely detection.

**Recommendation:** Provide training to ASB staff and implement controls to address the internal control deficiencies noted above.

**District Response:** The District reviewed the findings with ASB advisors, staff and site administrators and they have implemented additional forms and tally sheets along with clubs taking minutes, setting up budgets, student signatures on disbursements and having charters and constitutions on file. Staff has enhanced reconciliation and documentation procedures to ensure additional supporting documentation for all deposits.

**2009 / 2010 Audit Finding Corrective Action**

**District:** Willows Unified School District

**Finding Category:** 30000

**Finding #:** 2010-4

**Page:**63

**Describe below specific corrective action used in resolving the audit finding:**

Specifically address each individual item within the finding. Be certain that your responses are clear and concise. You will need to provide all documentation, which supports the specific action taken towards resolving the finding: i.e. copies of amended reports, corrective action plans, written procedures, agendas and staff in-services, etc.

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**Finding #2010-3: Cash Disbursements (30000)**

**Condition:** During our testing of internal controls over the cash disbursement function, we found that purchase orders were often obtained after the corresponding expenditure had been incurred. We tested 29 District expenditures in the 2009-10 fiscal year and found that three purchase orders accompanying the expenditure documentation were dated after the corresponding invoice date.

**Recommendation:** We recommend that purchase orders and contracts be approved before expenditures are incurred. If the item is for an emergency repair, we recommend a verbal purchase order number is obtained from the business office followed up by a written order. Adhering to this process will help ensure that unauthorized expenditures do not occur.

**District Response:** Effective 2010-11, the District implemented within our financial system a remotely generated materials requisition process. Remote access allows authorized site staff to enter their requests, if adequate budget is available, update and generate a materials requisition batch. Requisition batches are then subsequently authorized by the Superintendent's designee and submitted for purchase order generation and authorization by the district office. Other transactions not processed via purchase order have warrants issued via a payment voucher authorized by the Superintendent's designee and subsequently authorized by the district office in the accounts payable batch.

**Finding #2010-4 Credit Cards (30000)**

**Condition:** Through our testing of credit cards, we found that two out of the four credit card transactions tested were approved only by the cardholder, and one out of the four credit card transactions tested did not contain all of the proper documentation to support the payment.

**Recommendation:** We recommend that the cardholder not approve their own transactions and that supporting documentation is provided for all credit card charges, including itemized receipts when available.

**District Response:** Effective 2010-11 vendor transactions processed via the credit card will have a materials requisition and/or subsequent system generated purchase order to ensure counter authorization.

**2009 / 2010 Audit Finding Corrective Action**

**District: Willows Unified School District**

**Finding Category: 10000**

**Finding #: 2010-5**

**Page:65**

**Describe below specific corrective action used in resolving the audit finding:**

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**WILLOWS UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding #2010-5: Independent Study (10000)**

**Criteria:** For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

**Condition:** At two school sites we found that a total of four agreements did not contain all required signatures on or before the commencement of independent study. A total of 78 days of attendance were deemed to be unallowable.

**Cause:** Clerical oversight as District procedures were not followed to obtain all required elements of the independent study agreement prior to commencement of independent study.

**Effect:** Overstatement of independent study attendance.

**Questioned costs:** 78 attendance days were overstated as tested (0.60 ADA). Given 131 days in the 2009-10 P-2 attendance period and a 2009-10 base revenue limit per ADA of \$6,417, the fiscal impact of the ADA overstatement is \$3,821.

**Context:** Four independent study contracts tested at two school sites.

**Recommendation:** The District should continue to monitor the procedures and policies over independent study through annual training. The District should revise P-2 and Annual to exclude the 78 ineligible attendance days.

**District Response:** All sites were provided a common Independent Study Check Off List to be used to ensure all student contracts are compliant with the Independent Study Program. At the beginning of each school year staff will be provided re-training regarding this program. The 2009-10 P2 and Annual will be amended to reflect the exclusion of 78 days.

**2009 / 2010 Audit Finding Corrective Action**

**District:** Willows Unified School District

**Finding Category:** 10000

**Finding #:** 2010-6

**Page:**66

**Describe below specific corrective action used in resolving the audit finding:**

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**WILLOWS UNIFIED SCHOOL DISTRICT**  
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**Finding #2010-6 Attendance Internal Controls (10000)**

**State Funding Source:** Revenue Limit ADA

**Criteria:** All source documents prepared for attendance accounting should be maintained to support the accuracy of the system information pursuant to provisions of the California Code of Regulations Title V-Regulations Required.

**Condition:** For Willows Intermediate School, attendance clerks are collecting substitute rosters that are filled out manually with attendance data, entering the information into the attendance system, and discarding the source documentation.

**Questioned Costs:** None, there is corroborating evidence of attendance for students tested in this departmentalized intermediate educational program.

**Context:** All substitute rosters at the above mentioned school site.

**Effect:** The District is out of compliance with respect to maintaining contemporaneous records that support the attendance being reported.

**Cause:** The attendance clerk at the above mentioned school site was simply discarding the substitute teacher rosters unaware of the contemporaneous record keeping requirement.

**Recommendation:** Although we believe there are alternative procedures that mitigate the risk of inaccurate attendance records including weekly review of the signed weekly certificated teacher rosters, parent notes, parent call logs, and parent access to attendance database online, we recommend that the attendance personnel maintain those records to support the attendance information being reported by the District.

**District Response:** Staff keeps Absent Report Slips and attaches them to the teacher's weekly attendance reports.