

Mt. Diablo Unified School District

Audit Report

For the Fiscal Year Ended June 30, 2016

Nellie Meyer, Ed.D., Superintendent
Wayne Oetken, Interim Chief Business Officer
Nance Juner, Fiscal Services Director

January 9, 2017 Board Meeting

Audit Report for FY 2015/16

- Audit firm-Nigro & Nigro, PC
- Audit Report issued as Unmodified for all areas (see page 67)
 - Financial Statements
 - Federal Awards
 - State Awards
- No financial adjustments

Auditor's Review

- Audit Report includes 4 findings
 - They relate to 2 categories out of the 12 that are reviewed:
 1. Attendance
 2. Inventory of Equipment
 3. Internal Control*
 4. State Compliance
 5. Charter School Facilities Programs
 6. Federal Compliance
 7. Miscellaneous*
 8. Classroom Teacher Salaries
 9. Local Control Accountability Plan (LCAP)
 10. Instructional Materials
 11. Teacher Misassignments
 12. School Accountability Report Card

Auditor's Review

Questions and Findings are identified as:

- Significant deficiency - a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention.
- Material weakness - a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement would not be prevented, detected and corrected on a timely basis.
- Instances of noncompliance – in accordance with Government Auditing Standards pursuant to the 12 categories (AB 3627).

Summary of Findings

2016-001: Associated Student Body (ASB) Oversight

- Finding
 - Currently there is no review process of bank statements, reconciliations and financial statements.
 - There is a risk that ASB accounts could be misstated and that the misstatement would go undetected by the district office.
- Recommendation
 - Establish an employee in the business office to be responsible for the oversight of the ASB accounts.
- Staff Response
 - We concur with the auditors. There is currently a vacant position which the district has not been successful in filling. This position will be redefined and filled to include ASB oversight.

Summary of Findings

2016-002: Associated Student Body (ASB) Control

- Finding
 - There are 12 identified findings in this area which primarily reflect the lack of comprehensive procedures clearly established and universally required of all schools.
- Recommendation
 - The 12 recommendations will be reflected in a district Associated Student Body (ASB) procedure manual to be developed.
- Staff Response
 - Concurs with the auditors. Staff will develop a standard district-wide ASB accounting procedure manual and coordinate a school-level training program to ensure clear understanding of the procedure. Compliance will be achieved through district oversight.

Summary of Findings

2016-003: Year-End Closing

- Finding
 - Staff was unable to provide adequate supporting documentation for several account balances from prior years. (This relates to CalPERS district and employee contributions and Workers Compensation.)
 - The reconciliation of the revolving bank accounts for some sites and the Cafeteria fund have not been reconciled consistently.
 - Staff was unable to provide supporting schedules to account for capital assets acquired prior to 2013-14 including the changes to the Work in Progress of district projects.
- Recommendation
 - The recommendation is to maintain documentation for all transactions and account balances. The district may need additional staffing to compile and keep capital assets listing up-to-date.
- Staff Response
 - Staff will continue to work on reconciling and preparing documentation for the end of year account balances.
 - Staff will complete a reconciliation of revolving bank accounts going as far back as 2006.
 - Staff will work with the auditors to develop capital asset values to substantiate prior year balances.

Summary of Findings

2016-004: Cafeteria Fund Cash Reserves

- Condition
 - The Cafeteria Fund has a fund balance which exceeds the average of three months expenditures by \$129,960. (Three month average expense total is \$4,046,916.)
- Recommendation
 - The recommendation is to create and submit a spending plan to the CDE.
- Staff Response
 - The Cafeteria Fund Cash Reserves occurred due to the on-going bargaining and the anticipated salary increases for the food services staff. There was also a management position that was not filled the entire year.

In Closing

- We will continue collaboration with the school sites and different departments to ensure needed controls are put in place.
- Our focus will be on establishing the necessary procedures and policies to be compliant with internal controls as well as filling the fiscal department position that has been vacant all of 2015-16.
- Thank you to all the school and district staff that worked with the auditors during their visits.