

TUSD Audit Committee

MEMORANDUM

September 28, 2012

To: TUSD Governing Board

From: Robert H. O'Toole, Vice Chairperson

Re: Semi-Annual Report to the Governing Board from the Audit Committee

1. **Committee Membership.** We have operated as a full Committee for the past year. The ability to have the experience of five individuals has added greatly to the effectiveness of the Committee. Recently, one member has resigned due to a job opportunity in another city. We look forward to having the vacant position filled by the Governing Board as soon as practical.
2. **Audit Schedule.** The Committee has met with members of the District Financial Staff and with Heinfield, Meech and Co. the District's auditors. In the next several months the Committee members will be involved with the active progress of the audit. It is the Committee's intention to be more proactive with the auditors as the audit progresses so that we can more promptly react to issues that develop. In the past it has been our Committee habit to await reports, usually when finalized, to review findings. We believe this may have limited the ability of the Committee to assist in early problem identification and solution.
3. **Lawson Software Installation.** The Committee continues to be concerned with the status of the implementation of the Lawson software, particularly the time management piece. We understand that District Staff has suspended that installation pending reevaluation. We commend Staff for the current effort to identify and define processes in HR and Payroll areas before proceeding with the decisions on Lawson. We do have some concerns that the Audit Committee is not being kept up to speed and what exactly is occurring in this entire area. The Committee has been assured by the District Chief Financial Officer that we will receive more

complete information in the future. We cannot emphasize strongly enough that the Committee views the resolution of the software issues relating to Time Management, Human Resources, and Payroll as of the utmost importance.

4. **After the Fact Purchase Orders.** The most recent Audit for the past Fiscal Year 2010-2011, has once again identified significant numbers of “After the Fact” purchases. The Committee will be reviewing these purchases and will make recommendations to the District Staff and to the Governing Board if necessary.

5. **Physical Asset Stewardship.** The Committee noted with some major concern that the Stewardship of District Capital Assets seems to have completely broken down over the past year. In previous years, printed records of assets were sent to Schools and Departments where inventories were conducted and reported to the District Property Control Department. This past year was to have seen the implementation of a new system whereby Property Control staff would be hired to tag equipment and conduct physical inventories using bar code scanning equipment. Apparently neither were staff hired nor the software implemented to enable this to take place. Our concern is that given the inability to implement the new proposed system, the old system of Site inventories was not reinstated, thus no inventory of Assets was completed this year. The Committee strongly recommends that the old system of Site/Department inventories be reinstated until the new system of Central inventory can be implemented.

6. **District Budget Execution.** The Committee sees as one of its major functions the monitoring of District Expenditures versus the Budget over the year. In past years, the Committee and the Governing Board were provided monthly reports that showed District Expenditures in major categories. For the past year the Committee has not been provided those reports. We recommend that reporting of District Expenditures versus the District Budget be done Monthly to the Governing Board and the Audit Committee.

7. **Internal Auditors.** The Committee strongly recommends that the District establish an Internal Audit Department. We believe that a cost benefit

analysis of financial savings to the District from this Department would justify the expense of the Department.