

California State Auditor

B U R E A U O F S T A T E A U D I T S

Los Angeles Unified School District:

**The District Can Improve Its Handling
of Employees Accused of Child Abuse
as Well as Its School Financial Accounts**



October 1997
96121

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October 28, 1997

96121

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Los Angeles Unified School District (district). This report concludes that in some isolated instances, district administrators have not complied with written district policy when dealing with employees accused of child abuse. As a result, the district may be jeopardizing the rights of its employees and exposing itself to potential legal liabilities. We also found that the district and five schools we visited do not properly manage their school checking and imprest accounts. Consequently, neither the district nor the taxpayers can be sure that the schools are spending public funds appropriately.

Respectfully submitted,

KURT R. SJOBERG
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Summary



Audit Highlights . . .

Our review of the Los Angeles Unified School District's (district) handling of employees accused of child abuse indicates that:

- ✓ In some isolated instances, administrators have not complied with district policy; and***
- ✓ Legal counsel is not consulted prior to taking actions such as reassigning accused employees, resulting in potential legal liability.***

Furthermore, we found that the district and its schools can improve controls over school checking accounts to ensure funds are spent appropriately.



Results in Brief

The Los Angeles Unified School District (district), which serves more than 800,000 students, can improve its handling of employees accused of child abuse. Specifically, in some isolated instances, administrators have not complied with written district policy when dealing with employees accused of child abuse. As a result, the district may be jeopardizing the rights of its employees and exposing itself to potential legal liabilities. The district has provided training to its administrators to clarify their role in these situations. Nevertheless, the district does not require its employees to consult with legal counsel before taking action such as reassigning accused employees. However, we were unable to conclude that the district retaliated against employees.

Our review of alleged child abuse cases revealed the following shortcomings in the district's dealings with employees accused of child abuse:

- When handling child abuse allegations, it appears that at least two administrators did not adhere to written district policies requiring them to consult and obtain the approval of investigating child protective agencies before taking action such as investigating reported allegations or temporarily reassigning accused employees.
- The district does not consult legal counsel prior to taking actions such as reassigning accused employees.
- In one case an administrator exceeded her authority by investigating an allegation rather than simply making inquiries to determine whether an allegation constituted a reportable offense.

Because of the above, the district has been open to charges that it takes retaliatory measures, violates employees' basic rights, treats employees unfairly, and harasses accused employees. As a result, the district has also exposed itself to potential legal liabilities.

We also found that the district and its schools can improve controls over certain financial accounts. In part because the district does not have adequate policies concerning school checking and imprest accounts, five schools we visited do not properly manage these accounts. These accounts contain funds advanced to each school by the district, which requires schools to maintain account records for five years. However, in some cases, the district audits those accounts only once every ten or more years, thus creating the potential for misappropriation of funds during the years not covered by the district's audits. During our review of five schools, we found that three schools fail to obtain receipts to support expenditures from the funds, and four schools do not require appropriate approvals for the purchases. Further, some of the five schools do not reconcile their school checking and imprest accounts with bank statements. Consequently, neither the district nor the taxpayers can be sure that the schools are spending these public funds appropriately.

Recommendations

To ensure equitable, appropriate treatment of employees accused of child abuse, the district should take the following steps:

- Clarify its policy requiring the district to consult with, and gain the approval of, designated child protective agencies before it investigates or reassigns accused employees.
- Include information in its written policies that explains the distinction between inquiry and investigation.
- Attempt to further define the circumstances under which all employees accused of child abuse will be temporarily reassigned.
- Ask its legal counsel whether any proposed action related to the child abuse allegations may have legal consequences.

Finally, to confirm that its schools are spending school checking and imprest accounts legitimately, the district and its schools should do the following:

- Require that schools obtain original receipts from individuals requesting reimbursement.

- Ensure that all reimbursement requests include proper approvals.
- Ensure that schools reconcile on a monthly basis their imprest and school checking accounts to bank statements.
- Improve separation of duties related to the accounting process.
- Establish a risk-based approach for monitoring imprest and school checking accounts and audit high-risk school accounts no less than once every five years and assure that documents are retained between audits at other schools.
- Require schools to comply with district policies and procedures, and educate employees responsible for school funds about the proper ways to maintain school checking and imprest accounts.

Agency Comments

While the district disagrees with some of our conclusions, it agrees that it will comprehensively review its written policies and its practices to make clarifications in the areas identified in the report. The district believes it has maintained a consistent policy and practice with regard to child abuse reporting and that neither the policy nor practice has jeopardized employee rights or increased the district's legal liability.

In regard to the school financial accounts, the district generally agrees with our conclusions and will revise and strengthen its policies concerning documentation required for reimbursement, reconciliations, and auditing school accounts.

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Introduction

Background

The Los Angeles Unified School District (district) is California's largest school district. The district has approximately 900 schools and centers with a total enrollment of more than 800,000 students. These schools and centers are divided into 27 clusters. The district employs more than 64,200 employees, including approximately 31,900 teachers.

Over the past few years, some employees have claimed that after filing complaints about improper activities within the school district, district personnel have retaliated against them. In some instances, employees have asserted that the retaliation has involved wrongful allegations of child abuse and subsequent inequitable treatment by the district, such as unwanted transfers. At least three employees claiming retaliation have filed lawsuits against the district. The district does not believe it has engaged in any wrongful activity.

Also, the district found in 1994 that a principal at Willenberg Special Education Center misused imprest account funds. Of the approximately 900 schools and centers at the district, 744 maintain imprest accounts ranging from approximately \$350 to \$19,000 for direct purchases of supplies and equipment. Following established policies, the district replenishes these accounts as the schools submit receipts for reimbursement.

Child Abuse Defined

There are several categories of child abuse outlined by the California attorney general and district policy concerning the reporting of child abuse. These categories include child physical abuse, child sexual abuse, child neglect and life endangerment, willful cruelty, and emotional child abuse. Definitions of each of these categories are in the Appendix.

Requirements for Reporting Child Abuse

The California Penal Code, Section 11166, requires that school employees who, in their professional capacity or within the scope of their employment, have knowledge of or a reasonable suspicion that a child has been the victim of child abuse, must report it to a child protective agency immediately or as soon as practically possible. Child protective agencies include police departments, sheriff's departments, and county departments of children services. The California Penal Code does not view school police departments as child protective agencies. If individuals required by law to report actual or suspected child abuse fail to do so, they may be guilty of a misdemeanor punishable by imprisonment in the county jail for a maximum of six months, a fine of up to \$1,000, or both. In addition, they may incur a civil liability. Further, no employee who is required to report actual or suspected child abuse can be civilly or criminally liable for making such a report.

District policy requires employees to inform the school nurse or doctor of the actual or suspected abuse. In addition, district policy recommends that the employees notify the site administrator (normally the principal), but it does not require employees to reveal their identities. The policy further states that the site administrator should inform the cluster administrator and the staff relations office of allegations of abuse by a district employee. Cluster administrators are responsible for the operations of a cluster of schools, and they provide support and guidance for those involved in child abuse cases. The staff relations office provides assistance and support to the district with labor relations issues in these and other cases.

Responsibilities of School Districts Whose Employees Have Been Accused of Child Abuse

A school district can become aware that one of its employees has been accused of child abuse when the person filing a report with a child protective agency also notifies the district. The district might also be informed of an accusation if a child protective agency contacts the district or one of its employees during an investigation. Although the district must take prudent action to protect its students, the district's own policy states that it cannot take any action against an accused employee during an investigation of reported child abuse without the knowledge

and approval of the investigating child protective agency. Once the agency has completed its investigation, the district may further investigate the allegation or discipline the employee.

Imprest Accounts

In addition to providing guidelines for reporting child abuse, district policy covers the management of school funds, including those in imprest and school checking accounts. According to district policy, imprest accounts assist school administrators and teachers who need to make direct purchases of supplies, equipment, services, and other miscellaneous items that cost less than \$1,000. Imprest accounts allow administrators and teachers to purchase such items with cash, thus avoiding the need to obtain a purchase order for every small expenditure. Each school can choose to maintain the imprest account either separately or within the school's regular checking account. Three of the five schools we visited maintained imprest accounts within their regular checking accounts. The other two schools did not combine their imprest accounts with their checking accounts.

Administrators and teachers may not use imprest funds for alterations to the school facility or grounds; conferences or convention attendance fees; installment purchases; party supplies or noninstructional decorations; entertainment; gifts, clothing, or other items to be given away; meals and lodging; membership fees; payments to speakers or artists; or salary payments of any kind.

Enrollment generally governs the approved amount of each school's imprest account. Imprest account funds come from both federal and state sources. The district gives a warrant for the approved amount to the school administrator, who then establishes a checking account in the school's name.¹ According to district policy, as the fund is depleted, the school administrator completes a claim form listing the details of the purchases made from the account, attaches receipts or invoices, and forwards the information to the district's accounting division. The district then writes another warrant to the school administrator in the amount of funds needed to restore the imprest account to the approved level.

¹ As mentioned, in some cases, the imprest fund may be established in the school's regular checking account.

Scope and Methodology

To respond to the audit request of the Joint Legislative Audit Committee, we examined the district's policies and procedures for handling employee allegations of improprieties by other district employees. In addition, we analyzed the district's policies and procedures for handling situations in which district employees have been accused of child abuse. We reviewed district files relating to complaints, legal issues, reports of child abuse, and personnel.

We also interviewed four current and former district employees who came to us alleging that, because they had filed complaints about the district or about personnel, they had been wrongfully accused of child abuse, or district employees had acted on those allegations inappropriately as a form of retaliation. We reviewed documents these individuals gave us and interviewed many other current and former district employees. We also reviewed police reports and information pertaining to lawsuits filed by some of the current and former employees who claimed retaliation by the district. We also examined approximately 400 reports of suspected child abuse by district employees filed during fiscal year 1996-97. Finally, after discussions with district administrators regarding interpretation of their child abuse reporting policy, we reviewed additional information provided by the district, including documentation related to employees temporarily reassigned because of allegations made against them.

To review the district's controls over imprest funds, we reviewed the district's policies, procedures, and practices. We chose five schools to visit, including two large middle schools and three schools about which we received allegations of financial improprieties. One of these three schools, Willenberg Special Education Center, was selected to determine whether it had acted to correct its misuse of imprest funds.² At each of these schools, we reviewed documentation for samples of fiscal year 1996-97 expenditures from their imprest accounts. In some instances we examined school checking accounts because three of the five schools maintained their imprest funds within their school checking accounts.

²The Legislature received reports that the school's principal made improper or questionable purchases. This information was confirmed by the district's Internal Audit Branch.

Chapter 1

The Los Angeles Unified School District Can Improve Its Handling of Employees Accused of Child Abuse

Chapter Summary

The Los Angeles Unified School District (district) receives approximately 400 to 500 reports per year of suspected child abuse by district employees. We reviewed 26 cases, and determined that, in some isolated cases, administrators have acted contrary to district policy in handling employees accused of child abuse. However, we were unable to conclude that these actions constituted retaliation against employees. Specifically, it appears that at least two administrators did not consult with, or obtain approval from, investigating child protective agencies before the administrators acted on allegations concerning accused employees. In addition, at least one administrator exceeded her authority by conducting an investigation of alleged child abuse that should have been left to trained professionals. While the district consults with its legal counsel in cases involving demotion or dismissal, it does not require administrators to obtain legal advice from district counsel before the administrators transfer or reassign employees accused of child abuse. By consulting with legal counsel, the district may avoid accusations of harassment and lawsuits. The district has taken some action to ensure that its administrators handle such situations properly; however, it could take additional measures such as clarifying and consistently applying district policies.

Administrators Do Not Always Confer With Investigating Agencies

Once child abuse has been reported and a child protective agency's investigation is in progress, the district policy related to reporting child abuse states that the district is prohibited from taking any action regarding an accused employee without the knowledge and approval of the investigating agency. However, in some cases, the district or its school administrators apparently have not complied with this prohibition.

When we questioned district administrators about this prohibition, they explained that for several years the district's practice has been to temporarily transfer school employees suspected of child abuse without necessarily consulting with or obtaining the approval of investigating agencies. This practice has not precluded consultation with agencies, but has not required such consultation or approval. Further, the district administrators explained that the staff members responsible for making transfers have interpreted "action" to mean interviewing victims and witnesses or other actions that might jeopardize the investigation or prosecution of related criminal charges, and not temporarily reassigning the employee.

District administrators told us that it is their practice to always temporarily reassign employees accused of child sexual abuse pending the conclusion of the child protective agencies' investigations. Because of these statements, we reviewed the 23 reports made to the district's staff relations office in 1996 and 1997 that appeared to constitute child sexual abuse by teachers. We found that the district did not consistently temporarily reassign 16 of the 23 employees.



Although district administrators told us that they always temporarily reassign teachers accused of child abuse, they did not do so in 16 of the 23 cases we reviewed.



In 6 of the 16 cases, the child protective agency did not investigate the allegations and instead instructed the schools to handle the allegations administratively. In these cases, it seems reasonable that the district did not temporarily reassign the accused teachers. However, if in fact it is the district's practice to always reassign employees accused of child sexual abuse, it appeared that at least some of the other ten employees should have been temporarily reassigned in order for the district to avoid allegations of inconsistent treatment.

For example, in February 1997 a second grade teacher was alleged to have had three female students sit on his lap, often with his pants unzipped, and put their hands in his underwear. The students were removed from his classroom; however, the district did not temporarily reassign the teacher. The police are still investigating the allegation. In another case, a child care teacher was accused of removing a student's clothes and touching her; yet the district did not temporarily reassign the employee. According to the district, the police investigated but were unable to substantiate the allegation.

In still another case, the district temporarily reassigned an accused teacher, but not until it received two allegations against him. Specifically, the district received an allegation in February 1997 that the teacher touched male students inappropriately; we nevertheless found no evidence that the district temporarily reassigned the employee until it received a second allegation in May 1997.

Even though district administrators explained that their interpretation of the district's child abuse reporting policy does not require them to consult with investigating agencies before temporarily reassigning accused employees, the policy language does not clearly support this. As explained previously, the district's written policy states the district is prohibited from taking any action regarding an accused employee without the knowledge and approval of the investigating agency.


Contrary to district policy, one principal instructed a subordinate to obtain written statements from alleged victims of child abuse.


In addition to the 23 cases reported to the staff relations office and based on information provided to our office, we reviewed two other cases: one involved a teacher accused of child physical abuse, and the other a teacher accused of child sexual abuse. Each of these teachers had been outspoken critics of their respective principals. We therefore reviewed these cases to determine whether the district's resulting actions constituted retaliation.

In the first instance, a teacher was accused of child physical abuse for allegedly striking two students on December 10, 1996. Despite the district's stated child abuse reporting policy, the principal apparently had not obtained police department approval prior to conducting his investigation. When we first asked the principal whether he consulted with the police department before investigating the allegation, the principal said, in a statement signed under the penalty of perjury, that he assumed the police had completed their investigation. After signing the statement he gave us, the principal later said that his assistant principal, after speaking with the police department on December 10, 1996, informed him that the police would not file a crime report and the school should handle the case. However, this information did not appear to be correct since the police did not receive the allegation until December 13, 1996. When we questioned the principal again about the discrepancy in dates, he said that it was December 13, not December 10, when the police came to the school and spoke with his assistant principal.³ Clearly, the police could not have provided approval for the principal to investigate the allegation prior to the time they were informed of the allegation on December 13. Therefore, the principal failed to follow district policy. Specifically, the teacher who ultimately reported the child abuse allegation to the police stated she obtained written statements from the alleged victims at the principal's direction. The teacher obtained the first written statement on December 10, 1996.

³ After we expressed our concerns over these discrepancies, the principal provided us with another statement explaining that he had not checked previously for documents which may have clarified the sequence of events.

It is the district's position that the principal did not violate the district's policy and that the written statements taken from the alleged victims were not part of an investigation. However, while district policy allows administrators to make inquiries to assess whether abuse is reportable, they are precluded from investigating allegations, including taking statements, without approval from the child protective agency.⁴

Further, we found no documentation that the principal had any corroborating evidence showing that the complaint filed had any merit. In fact, a statement written by one of the alleged victims clearly asserted that no physical injury had occurred. In order to be considered child physical abuse, the action must have caused a physical injury. Both of the alleged victims told police that the case was "blown way out of proportion," the teacher had not abused them, and they never wanted to make any police report. While taking prudent action to protect its students, the district should also balance its action to protect the rights of its accused employees.

The principal told us he had training in conducting investigations from the district's staff relations office. However, the principal failed to follow district policy and obtain the approval of the police department before he investigated the allegation. Although the accused teacher had been outspoken in his criticism of the school principal, we nevertheless could not conclude that the principal was retaliating against the teacher.

In another case, a special education teacher was accused of child sexual abuse on April 19, 1994. The principal notified the district of the allegation. As mentioned, the district told us that its interpretation of the child abuse reporting policy does not require it to obtain approval from the investigating agency before temporarily reassigning the accused employee. But the district is also not precluded from consulting with the investigating agency. On April 26, 1994, the district's director of the special education division outlined a plan to temporarily reassign the teacher from the classroom to the division office. In her memorandum, the director stated that the police department was continuing its investigation of alleged child abuse, and had given its approval and full endorsement to reassign the teacher. However, when we spoke with the police officer who investigated the complaint, the officer remembered that a woman from the district called him about the investigation and, he believes, tried to get him to say that the district should transfer or reassign the teacher. Contrary to the director's statement, the officer told us that he made no


Another district administrator took action to temporarily reassign a teacher accused of child sexual abuse without consulting with and obtaining the approval of the investigating agency.


⁴We discuss another example of inappropriate investigation by an administrator on page 10.

such recommendation. The director told us that she did not speak with anyone at the police department, but believes she received her information from a district superior. She does not recall who that may have been. Despite the district's claim that approval of the investigating agency is not required before temporarily reassigning an employee, indicating the approval was obtained when it apparently was not is misleading and inappropriate.

Further, we could find no evidence that the director sought legal advice before deciding to reassign the teacher. District policy instructs administrators to consult with the cluster office and staff relations office regarding allegations of child abuse. In addition, according to the assistant superintendent of the district's School Operations Division, administrators should also consult legal counsel in cases of demotion or dismissal. However, district policy does not require administrators to consult legal counsel before transferring or reassigning employees accused of child abuse or other crimes. Consultation with legal counsel could provide additional assurance that the district is not opening itself to accusations of disparate treatment of employees.

Furthermore, there is no evidence that the director had any corroborating evidence that the allegation of child sexual abuse had merit. No district employee questioned the teacher's assistant, who was present when the alleged sexual abuse occurred. The assistant told the police there was no way the alleged incident could have occurred without her knowledge, and she witnessed no wrongdoing by the teacher. In fact, the police closed their investigation on May 6, 1994, because of insufficient evidence.



While the safety and well-being of children must be the district's first priority, the district must carefully consider the rights of the accused.



In this case, the accused employee had filed complaints about his school's principal, which resulted in a district audit of the school's imprest account, used for certain small purchases. Although the district found some improper and questionable expenditures and sent a letter of reprimand to the principal, it found no intentional wrongdoing on her part. The director of special education reassigned the teacher after the district received the employee's complaints about his principal; however, we found no direct evidence that the director or the principal were retaliating against the accused employee.

Although we were unable to substantiate that the administrators in the preceding examples retaliated against employees who had complained, the administrators' failure to follow established policies leaves them open to accusations of retaliation.

Clearly, child abuse is a very serious issue. The safety and well being of the children must be the first priority, and the district makes a concerted effort to encourage its employees to report all cases of suspected abuse. However, child abuse allegations may have a profoundly negative effect on an employee both personally and professionally. Therefore the district must carefully consider the actions it plans to take before damage is done to the accused.

Inquiry Versus Investigation

District policy clearly states that investigation is the responsibility of the child protective agency. During 1997, the district took steps to improve its employees' understanding of the child abuse reporting process by providing a training class for site administrators. The training class focused on necessary actions to take to determine whether to report child abuse to a child protective agency. It also discussed the difference between inquiry and investigation. The director of the district's Child Abuse Prevention Office told site administrators they are within their authority to interview the person disclosing suspected child abuse to assess whether the abuse is reportable. Administrators should terminate the interview as soon as they determine the allegation constitutes reportable abuse. However, the director explained that administrators are precluded from investigating, i.e., determining the truth of the allegation by taking statements or having the victim repeat the allegations.



District policy clearly states that investigation is the responsibility of the child protective agency.



We reviewed one case in which a principal inappropriately began investigating an allegation of child abuse before notifying the child protective agency. While this particular incident took place several years before the district's training class, the aspect of law and district policy that prohibits the district from investigating without the approval of the child protective agency had not changed. Specifically, an employee was accused of physical child abuse in March 1990. The principal interviewed the alleged victim in her office and had the child reenact the alleged abuse with her three or four times prior to reporting the allegation. As a result, we believe the principal exceeded her authority by going beyond inquiry and conducting an inappropriate investigation.

When the district and its administrators act on allegations without first consulting the investigating child protective agencies, the district may compromise the legal investigation by biasing witnesses, or alerting suspects, who may then destroy evidence. Moreover, if the district acts before it determines whether a child abuse allegation warrants an investigation, it may expose itself to legal liabilities.

Conclusion

The district generally follows its policies and procedures related to alleged cases of child abuse by its employees. However, a few isolated incidents show that some administrators fail to follow these policies, which opens the district to accusations that it has retaliated against and harassed its employees.

Recommendations

The district should consider making the following improvements:

- Clarify what it means by “any action” in its child abuse reporting policy which states that the district must confer with, and obtain the approval of, investigating child protective agencies before taking any action concerning employees who have been accused of child abuse.
- Include information in its written policies that explains the distinction between inquiry and investigation.
- Attempt to further define the circumstances under which all employees accused of child abuse will be temporarily reassigned. For example, the district should specify if employees should be temporarily reassigned based on an administrator’s inquiry that results in reasonable suspicion the abuse occurred. Also, the district should specify if employees should be temporarily reassigned based on the filing of a police report by others, such as parents, or not until the police decide to conduct a criminal investigation.
- Consistently apply district policies and, if unusual situations arise, obtain legal advice prior to taking any action not consistent with district policy.

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Chapter 2

The Los Angeles Unified School District Should Strengthen Controls Over School Checking and Imprest Accounts

Chapter Summary

We visited five schools in the Los Angeles Unified School District (district): Willenberg Special Education Center, Ramona Opportunity High School, Tweedy Elementary School, South Gate Middle School, and Nimitz Middle School. We found that all five schools need to improve controls to ensure that imprest and checking account monies are appropriately used. In addition, district policies and procedures related to imprest and school checking accounts should be strengthened.

We found that the district policy does not require schools to obtain original receipts from employees when they request payment from these accounts. In addition, three of the five schools we visited do not always require employees to provide any receipts when requesting reimbursement from the imprest account or checking account. Moreover, district policy requires schools to retain documents of their imprest accounts for only five years, but the district audits some schools only once every ten or more years. This lack of controls could allow individuals controlling the imprest accounts to misappropriate money during the five years that are not subject to review. We also discovered that four of the five schools do not maintain policies describing the sources and appropriate uses of monies held in various school accounts. Finally, at four of the schools visited, we found multiple instances where schools made purchases without proper approval and found that only two of the five schools properly reconciled both the imprest account and student checking accounts.

Background

Of the approximately 900 schools and centers in the district, 744 have cash accounts, called imprest accounts, used for small purchases. Each school may decide whether to include its imprest account within its school checking account or to maintain it in a separate checking account. In addition to an imprest account, school checking accounts can include a variety of trust accounts, which are amounts held for

a special group or organization. An imprest account is designed to facilitate direct purchases of items such as supplies, equipment, services, and other items that cost less than \$1,000. In addition, an imprest account allows school representatives to purchase items without a purchase order, thereby speeding up the purchasing process.

Prudent business practices require that the district establish an adequate system of internal controls, including a separation of duties, over its resources to help prevent errors, irregularities, or illegal acts. The maintenance of a strong control system is critical to ensuring funds are used appropriately. One critical control dictated by prudent business practices is the requirement that employees submit original invoices and receipts to document expenditures. Employees should also provide a detailed description of the items or services purchased and the purpose of the purchases to demonstrate the validity of the expenditures.

Moreover, it is important that individuals who have responsibility over public monies document their approval of fund transactions. Further, since these transactions involve cash, they should be carefully reviewed and reconciled periodically so that accounting records are accurate and monies are protected. For example, the district's policies require administrators to reconcile imprest fund accounts monthly to ensure that at all times the total of the unspent funds, plus receipts for unreimbursed purchases, equals the approved amount of the school's imprest fund. Further, bank statements should be reconciled monthly and administrators should identify any differences and resolve any discrepancies immediately. Failure to follow these policies could allow errors or irregularities, including inappropriate uses of public funds, to go undetected.

The District Has Inadequate Policies for Imprest and School Checking Accounts


The district does not require employees to submit original receipts when seeking reimbursements.

The district does not have policies and procedures clearly requiring its employees to submit original receipts or invoices with claims for reimbursement. Instead, some schools are reimbursing individuals for expenditures supported only by photocopies of invoices and receipts. For example, two of the schools we reviewed, South Gate Middle School and Nimitz Middle School, accepted photocopies of receipts as support for expenditures totaling \$1,473 for South Gate Middle School and \$1,926 for Nimitz Middle School, from the imprest or school checking account. Thus, the district—and the taxpayers—have no assurance that the original documents were

not altered, that the expenditures were legitimate, or that other individuals had not submitted the original receipts or invoices for reimbursement somewhere else or at some other time.

Moreover, although district policies and procedures require staff to describe what has been purchased, they do not require the purpose of the purchases so administrators can determine whether claims submitted for reimbursement are legitimate. In some cases, we found that administrators approved claims with little or no information to identify the items purchased or their intended uses, thus providing opportunities for funds to be misused or abused. For example, an administrator at South Gate Middle School approved reimbursement of \$147.74 to one employee for a "radio/dual-cassette boom box." No explanation of why the purchase was necessary was provided.



The district has not audited some schools' school checking accounts for as long as 15 years.



The district currently audits imprest and school checking accounts at some schools approximately once every ten years, although some schools have not been audited for as long as 15 years. Because policy requires schools to maintain records for only five years, individuals controlling those funds could misuse them for at least five years following an audit while the misappropriation goes undetected. According to the district, it selects schools for audits based on the length of time from the last audit; it also considers requests for specific audits from administrators, as well as audits based on allegations of irregularities. The district indicated that it does not audit the school sites more frequently because of the large number of schools and related lack of personnel.

Five School Sites Did Not Sufficiently Monitor Their Imprest and School Checking Accounts

In reviewing five schools' imprest account transactions for fiscal year 1996-97, we identified weaknesses in controls over these funds at all five schools. Because three of the five schools combined their imprest accounts with their school checking accounts, we also reviewed the combined accounts. Although a fourth school maintained separate imprest and checking accounts, we reviewed both accounts because of allegations of financial improprieties. Finally, at the fifth school, although it also had separate imprest and checking accounts, financial improprieties had occurred earlier in the imprest account, so we focused our review only on this account. Expenditures from the accounts we reviewed ranged from \$9,738 to \$393,184. The following table summarizes account information and noted weaknesses.

Table

Review of Imprest and School Checking Accounts at Five Schools for Fiscal Year 1996-97

	Nimitz Middle School	Ramona Opportunity High School	South Gate Middle School	Tweedy Elementary School	Willenberg Special Education Center
Account Information					
Size of imprest account	\$4,000	\$750	\$4,000	\$1,500	\$2,000
Total expenditures in fiscal year 1996-97 for accounts reviewed	\$393,184	\$14,688	\$330,236	\$28,997	\$9,738 ^a
Identified Weakness					
Payment without receipts	\$11,397	\$2,677	\$15,584	Ø	Ø
Payment on photocopied receipts	\$1,926	Ø	\$1,473	Ø	Ø
Adequate description on reimbursement forms	NO	NO	NO	YES	NO
Proper approvals	NO	NO	NO	YES	NO
Monthly reconciliations of imprest account	YES	NO	YES	YES	NO
Monthly bank reconciliations	YES	NO	YES	NO ^b	NO
Adequate separation of duties	NO	NO	NO	NO	NO

^aReviewed only imprest account at Willenberg Special Education Center.

^bSchool uses an informal reconciliation process in an effort to track the monthly activity; however, they do not prepare a formal reconciliation which can be reviewed and audited.

Schools Failed To Appropriately Manage Accounts

We found a variety of internal control problems over imprest and other trust accounts at the schools we visited. Some of the problems related to insufficient support or documentation for reimbursements and others related to failure to adequately separate duties. While we found several internal control weaknesses at the Willenberg Special Education Center, we did not find specific instances of financial improprieties, such as those identified earlier by the district's Internal Audit Branch.

At three schools we reviewed, the administrators failed to obtain receipts for significant expenditures from the imprest and school checking accounts. For example, the principal at South Gate Middle School failed to obtain receipts for

\$15,584 of the \$330,236 spent from its imprest and school checking account during fiscal year 1996-97. In addition, at Ramona Opportunity High School and Nimitz Middle School, \$2,677 and \$11,397, respectively, were paid from the imprest and school checking accounts without receipts.


Lack of attention to supporting documents allowed the imprest fund to pay twice for the same supplies at Ramona Opportunity High School.


Additionally, lack of attention to supporting documents allowed the imprest fund to pay twice for the same supplies at Ramona Opportunity High School. Specifically, we found that one teacher had submitted his credit card charge slip and a cash register receipt to document a \$71.45 purchase of lumber used to build a planter. However, another teacher, a personal friend of the other teacher, submitted the actual receipt from the lumber company that provided detailed descriptions of the items as support for the same \$71.45 purchase. The principal approved both receipts and wrote checks 961 and 962 to reimburse each of the two individuals on October 8, 1996. Although both individuals presented apparently legitimate receipts, the invoice number on the receipt submitted by the second employee also appeared on the cash register receipt submitted by the first employee. Credit card receipts usually do not describe the expenditure in as much detail as a store receipt. Moreover, reimbursing employees for amounts appearing on credit card receipts could lead to additional duplicate payments if employees, either accidentally or intentionally, submit for reimbursement both the credit card receipts and the store invoice at different times. Because the employee who turned in the credit card receipt actually paid for the items, the school instructed the other employee to repay the \$71.45.

Lack of Approvals

The approval requirements for school expenditures depend on the school involved and the account from which the expenditure is made. District policy and state law require that three persons approve expenditures from school checking accounts at secondary schools, which include middle schools and high schools. The department chair or faculty club sponsor, the student body elected officer, and the principal or vice principal are responsible for approving the expenditures. The district's elementary school and special education school checking accounts require approval by only the school principal. Further, imprest account expenditures at both secondary schools and elementary schools require approval only by the principal.

At four of the five schools we visited, we found instances where materials were purchased from both the imprest and school checking account with either inappropriate approvals or none at all. For example, at Nimitz Middle School, an administrator

◆

At Willenberg Special Education Center there were several instances of reimbursements from its imprest account without the principal's approval.

◆

requesting reimbursement from the school checking account did not obtain the required signatures on the approval form, and in fact provided one of the two signatures on the check made payable to her. The other signature was that of the financial manager who is authorized to sign checks, but not to approve expenditures. At Willenberg Special Education Center there were several instances of reimbursements made from the school imprest account without the required approval from the principal.

Proper approvals are important because they help establish a level of accountability and responsibility for wrongdoing, thus decreasing the risk that individuals will use public funds improperly. Also, when expenditures are approved by two or more administrators, district employees tempted to engage in fraudulent purchasing practices have greater difficulty doing so.

Lack of Written Policies for Trust Funds

The district's trust account policies provide general descriptions of how the accounts should be operated and maintained, describe some of the prohibited uses of the funds, and address a few ways that funds can be raised. However, we do not believe these policies are sufficiently detailed. Specifically, the schools are not required to maintain written information clearly explaining the sources of funds for each account and how the money can be used. For example, we found a lack of specific written policies for trust accounts at all the schools we visited except Willenberg Special Education Center, where our review focused on the imprest, not trust accounts. More specific trust guidelines would assist administrators in operating the accounts and provide additional evidence for internal or outside auditors attempting to determine whether schools properly manage funds. The schools' present lack of policies for trust funds could result in inadvertent or deliberate misuse of such funds.

Inadequate Separation of Duties

Each of the five schools we visited has a financial manager or administrative assistant responsible for several aspects of the accounting process. For example, the South Gate Middle School financial manager collects cash, prepares deposits, posts accounting transactions, maintains blank check stock, prepares checks, and performs bank reconciliations. An individual who performs so many functions could commit fraud that may go undetected, possibly for several years. By failing to maintain an adequate separation of duties, the district is failing to protect public funds.

Conflicts of Interest

In addition to failing to properly separate duties, some district schools may inadvertently allow conflicts of interest between teachers or administrators and vendors. This could result in fictitious purchases or inflated prices. For example, at Tweedy Elementary School, we found that one teacher was selling educational materials to others on school property without written permission. District policy on conflicts of interest requires written permission to sell such items. Although the principal knew the teacher was selling supplies, he did not exempt the teacher from the policy. Further, we noted that 13 of 29 receipts this individual provided to the teachers consistently totaled exactly \$50, although each receipt listed different combinations of items. The teachers then submitted these receipts to the principal for reimbursement from the imprest or student body checking account. The principal of the school noted that teachers like to purchase supplies from this vendor because of the high quality and low priced items offered. We found these receipts questionable because each receipt was \$50—exactly the amount that the school allocated to teachers for the purchase of instructional materials. Many receipts included only code numbers, with no additional descriptions of the items the teachers purchased. Further, some receipts did not indicate that the salesperson/teacher collected sales tax on the transactions.

Three Schools Failed To Perform Reconciliations

District policy further requires that administrators reconcile imprest and bank accounts promptly to ensure that at all times the total of the unspent funds plus receipts for unreimbursed purchases equals the approved amount of the school's imprest fund. Two of the five schools we reviewed did not perform these reconciliations. While district policy requires schools to reconcile their student body accounts to bank statements monthly, district policy related to imprest accounts does not specify that those accounts be reconciled to the bank statements.



By reconciling imprest and bank accounts promptly, schools prove the accuracy of their accounts and can identify any errors or irregularities.



Bank reconciliations are important because they prove the accuracy of the school's records and help identify any errors or irregularities. Two of the five schools we visited, Willenberg Special Education Center and Tweedy Elementary School, keep separate imprest accounts and do not reconcile account records to the bank statements. Although Tweedy Elementary School performs a process to determine whether checks and deposits have been recorded by the bank, this is not a formal

reconciliation procedure that could easily undergo a review or audit to ensure that the book balance agreed with the bank balance each month.

A third school, Ramona Opportunity High School, does not reconcile its school checking account, including the imprest account, to the bank statements. The principal told us that because there is no reconciliation form from the district for a bank checking account, they have not done bank reconciliations. By not following district policy and reconciling the accounts monthly, schools could allow errors and irregularities to occur, and these differences may go undetected and result in a loss of public funds.

Conclusion

In part because the district's policies and procedures are not sufficiently detailed, the five schools we visited had weaknesses in controls over their imprest or school checking accounts. As a result, neither the district nor the taxpayers have assurance that school administrators and teachers are spending these public funds appropriately.

Recommendations

The district needs to revise and enforce its policies and procedures related to controls over both imprest and school checking accounts. We recommend the district do the following:

- Require that schools obtain original receipts fully supporting purchases from individuals requesting reimbursement from the imprest and school checking accounts. Policies should ensure that any reimbursements without receipts or other appropriate proof of purchase are carefully reviewed and submitted for approval at a higher level.
- Ensure that all requests for reimbursement include proper approvals by more than one person. If more than one person is responsible for authorizing reimbursements, it decreases the likelihood of improper purchases.
- Ensure that schools reconcile their imprest and school checking accounts to bank statements each month to identify and resolve any errors or irregularities and avoid unnecessary bank charges or fees.

- Improve separation of duties related to the accounting process. While we recognize the district has limited resources, it should make every effort to assign accounting functions to separate individuals to ensure the safeguarding of public funds.
- Establish a risk-based approach for monitoring imprest and school checking accounts. Because of the large number of schools with these accounts and the cost and resource commitment needed to audit all sites within a reasonable time, the district could assess risk by analyzing the volume of expenditures from these accounts over time or by comparing the annual volume of expenditures by schools of similar type and size. The district should then audit high-risk school accounts no less than once every five years. Further, the district should assure that schools retain all original documents until an audit is performed.
- Provide training for administrators, principals, and financial managers on proper internal controls over imprest and checking accounts, so the schools can improve compliance with district policies and the district can assure the public it is safeguarding public funds.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: October 28, 1997

Staff: Philip J. Jelicich, CPA, Deputy State Auditor
Ann K. Campbell, CFE, Manager
Cynthia A. Sanford, CPA, CFE, CGFM
Jim Beausoleil, CPA

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Appendix

Definitions of Child Abuse Categories

Child physical abuse is a physical injury, external or internal, such as a bruise, welt, burn, or cut inflicted on a child by other than accidental means by another person. This type of abuse is distinguished from corporal punishment in that corporal punishment causes a child to experience physical pain as a result of a deliberate act, but the child does not sustain injury.

Child sexual abuse is sexual assault; sexual exploitation, annoyance, or molestation of a child; sexual activities between an adult and a child; and, under certain circumstances, sexual acts between children.

Child neglect is the negligent failure of a person having the care or custody of a child to protect the child and/or to provide adequate food, clothing, shelter, or supervision. In the case of child neglect, no physical injury to the child has occurred.

Life endangerment, willful cruelty, and emotional child abuse include any act by a person who willfully causes, inflicts, or permits a child to endure cruel or inhuman corporal punishment or to undergo mental suffering. In addition, these categories of child abuse include permitting a child to be placed in a situation in which the child's person or health is endangered, as in instances of domestic violence. Emotional abuse of a child also involves the use of excessive verbal assaults, including belittling, screaming, threats, blaming, and sarcasm. It can also encompass unreasonable, unjustified, or unpredictable responses to a child or misleading double-message communications that have an observable harmful effect upon the child.

According to district policy, child abuse does not include the use of a reasonable and necessary amount of force by a school employee to quell a disturbance threatening physical injury or property damage, for purposes of self-defense, or to take possession of weapons or other dangerous objects within control of a pupil.

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Response to the report provided as text only

Los Angeles Unified School District

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RUBEN ZACARIAS
Superintendent of Schools

RICHARD K. MASON
General Counsel

October 17, 1997

Kurt S. Sjoberg
State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814

RE: AUDIT OF LOS ANGELES UNIFIED SCHOOL DISTRICT

Dear Mr. Sjoberg:

Earlier this year, the Joint Legislative Audit Committee directed the State Auditor to conduct an audit of Los Angeles Unified School District in response to allegations by several current and former school district employees that they had been the subject of retaliation because of their self-described role as whistle blowers. In response to the committee's direction, the Office of the State Auditor has conducted a thorough review of the allegations of retaliation with statutory authority that has given it access to every possible form of District records, including personnel and records otherwise entitled to attorney-client privilege.

We want to thank the auditors who interviewed District staff and reviewed numerous records in the course of this audit. They were both courteous and professional in their dealings with school district staff.

Chapter 1 - Child Abuse Reporting Issues

The resulting report has vindicated the District in finding that there is not sufficient evidence to conclude that there has been any retaliation for whistle blowing activities. We are gratified by the auditors' conclusion in that regard and, at the same time, hope that it reinforces with District supervisors of every level that retaliation against employees for any form of lawful activity is unacceptable and illegal.

The Report makes several suggestions to the effect that the District should clarify its existing procedures. We accept the spirit of these suggestions and will comprehensively review our written policies and our practices in this regard to make clarifications in the areas identified in the Report. However, we wish to make the following additional observations regarding the Report.

The District recognizes that all policies and practices should be the subject of continuous review and can be improved. With regard to child abuse procedures, the District's

policy/practice relative to the handling of employees reported for suspected abuse is based on the primary considerations of protecting students and preserving the viability of any outside agency investigation. The Report as a whole appears to suggest that the District's first priority should be to protect itself from charges that it mistreats employees, with the protection of its students of secondary concern. While the tension between the need to protect students and the need to protect the rights of employees is a real one, the Report's implicit suggestion that the District rigidly adhere to guidelines in all cases is unrealistic. In many cases, a certain degree of flexibility will be necessary to protect students from further abuse, or employees from false charges. While an occasional inconsistency, real or apparent, may open the District to charges of unfairness, the protection of students must be the District's first priority. ①*

Indeed, as the Report notes, Section 11166 of the California Penal Code requires school employees with knowledge or reasonable suspicion that a child has been the victim of child abuse to file a report with a child protective agency or face criminal or civil liability. The possibility that an employee may accuse a school district of unfair treatment does not exempt school employees from their obligation under Section 11166.

An example of the Report's failure to acknowledge the importance of this reporting requirement is found on page 1-3. Here, a principal is criticized for his failure to obtain corroborating evidence that the complaint filed had any merit. The law, however, demands reporting where there is reasonable suspicion. The existence of corroborating evidence is immaterial to this obligation. Moreover, the criticism contradicts the Report's emphasis that administrators limit themselves to inquiry, and not investigate the abuse charges without approval from the child protective agency. The State Auditor should delete this criticism. See Footnote 1 below
③

It has never been the District's practice to require outside agency approval for the temporary transfer of employees who are the subject of suspected abuse reports. Nor is it the District's policy or practice to require consultation with legal counsel in all instances where the temporary transfer of an employee has been considered. In those instances where the filing of a suspected abuse report leads to some form of interim transfer of an employee, such a transfer is usually made in order to separate the employee from the student population at least until there has been a determination made on the allegation of suspected abuse. Such transfer decisions are based on the unique circumstances present in each case and are one of the innumerable decisions which confront District administrators every day. To the extent that such transfer decisions ever result in individual claims of unfair treatment on the part of employees, they are subject to arbitrations under relevant collective bargaining agreements. ④

While the Report observes that in "isolated" instances the District has failed to comply with its child abuse reporting policy such that it "may" be jeopardizing the rights of employees in exposing itself to "potential legal liabilities," the fact is that the District has maintained a consistent policy and practice in that regard and that the policy/practice has not jeopardized employee rights nor increased legal liability. ⑤

¹Page 1-3 is now pages 7 and 8.

Kurt Sjoberg
October 17, 1997
Page 3

Finally, it should be noted that, regarding the case identified on page 1-6 of the Report, the District had the issues raised by this employee thoroughly reviewed by the courts, and that the District's position was ultimately vindicated in a comprehensive opinion issued by the Ninth Circuit Court of Appeals.

See
Footnote 2
below

Chapter 2 - School Checking and Imprest Accounts

With respect to the fiscal issues addressed in the Report, attached is a memorandum from Henry Jones, Chief Financial Officer, outlining the District's response.

Very truly yours,

Richard K. Mason
General Counsel

jc

attachment

²Page 1-6 is now page 10.

INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

TO: Rich Mason

DATE: October 17, 1997

FROM: Henry Jones

SUBJECT: RESPONSE TO AUDIT REPORT FROM CALIFORNIA STATE AUDITOR

This is the response to the audit report from the California State Auditor.

DISTRICT RESPONSE TO RECOMMENDATIONS (Page 2-8)

See
Footnote 3
below

Audit Recommendation

1. *“Require that schools obtain original receipts fully supporting purchases from individuals requesting reimbursement from the imprest and school checking accounts. Policies should ensure that any reimbursements without receipts or other appropriate proof of purchase are carefully reviewed and submitted for approval at a higher level.”*

District Response:

Although the District policy regarding Imprest Fund requires that an invoice/receipt or documentation should be obtained, it does not specify whether an original or copy is required. We will revise policies to require original receipts.

With regard to the approval signatures required for disbursements from imprest and student body checking accounts, there is a need to distinguish these disbursements.

If the District imprest fund is maintained as a trust account within the student body checking account, the state law for student body organizations requiring approval signatures of three persons will apply. However, if the District imprest fund is maintained in a checking account separate from the student body account, only the approval signature of the responsible administrator is required. This is so because when a District imprest fund is established, the administrator submits a certification that he/she is “personally responsible for this money and accepts financial responsibility for any unauthorized expenditures.”

Audit Recommendation

2. *“Ensure that all requests for reimbursement include proper approvals by more than one person. If more than one person is responsible for authorizing reimbursements, it decreases the likelihood that purchases are improper.”*

³Page 2-8 is now pages 20 and 21.

District Response:

As indicated in our response to recommendation 1 above, approval signature by one person (the responsible administrator) is required for disbursements from the District imprest fund when it is maintained in separate checking account. It was the intent of the District to have the responsible administrator authorize these disbursements because the sole responsibility ultimately rests with the administrator. (6)

Audit Recommendation

3. *“Ensure that schools reconcile their imprest and school checking accounts to bank statements each month to identify and resolve any errors or irregularities and avoid unnecessary bank charges or fees.”*

District Response :

If the District imprest fund is maintained within the student body checking account, then the monthly bank reconciliation is required as contained in the various publications governing student body funds. The District will strengthen its policies and requirements for those imprest funds that are maintained separately from the student body checking accounts. A specific bank reconciliation form will be provided to the administrators to assist them in this process.

Audit Recommendation

4. *“Improve separation of duties related to the accounting process. While we recognize the District has limited resources, it should make every effort to assign accounting functions to separate individuals to ensure the safeguarding of public funds.”*

District Response:

We would like to reiterate that the administrator is personally responsible for the District imprest fund and exercises oversight on the financial operations regarding District imprest accounts. As such, the administrator’s oversight role related to accounting functions is tantamount to having another individual to countercheck the activities of the school administrative assistant/financial manager.

Although ideally separation of duties is essential to effective internal control, it is not always feasible nor prudent to separate these duties due to lack of school personnel with accounting background in elementary schools. Furthermore, separation of duties could mean more employees which the District cannot afford at this time.

Audit Recommendation

5. *“Establish a risk-based approach for monitoring imprest and school checking accounts. Because of the large number of schools with these accounts and the cost and resource commitment needed to audit all sites within a reasonable time, the District could assess risk by analyzing the volume of expenditures from these accounts over time or by comparing the annual volume of expenditures by schools of similar type and size. The District should then audit high-risk school accounts no less than once every five years. Further, the District should assure that schools retain all original documents until an audit is performed.”*

District Response:

We concur with this audit recommendation. We have begun the process of restoring positions in Internal Audit Branch which suffered cutbacks in the early 1990's, from a staff of approximately 50 to 38 as of 9/18/97. In addition, the Internal Audit Branch now uses a risk-based approach in developing the annual audit plan.

The Special Audits Branch was established to deal with various investigative audits, including Hotline cases, which would enable Internal Audit Branch auditors to increase activities in traditional audit areas, including student body, imprest and cafeteria funds.

We will revise the existing policies pertaining to District imprest fund so that schools retain all original documents until an audit is performed.

Audit Recommendation

6. *“Provide training for administrators, principals, and financial managers on proper internal controls over imprest and checking accounts, so the schools can improve compliance with District policies and the District can assure the public it is safeguarding public funds.”*

District Response:

The District currently provides training to new school administrative assistants and financial managers. This training will be expanded to include site administrators.

Certain items need clarification:

1. Page S-1 through S-2: “Specifically, the District and five schools we visited do not properly manage their school checking and imprest accounts.”

District Comments:

a. It appears that the phrase “**the District and five schools**” is not appropriate. Although there were “identified weaknesses” at the five schools that were visited, it does not follow that the rest of the administrators (approximately 739) “do not properly manage their school checking and imprest accounts.” Furthermore, the District does not manage the school bank accounts. The District has established policies and procedures governing imprest and student body accounts, as contained in the following: (7)

1. Bulletin No. 9, Imprest Funds (revised 6/10/96) issued by Accounting and Disbursements Division
2. Publication No. 464, Policies Governing Elementary School Student Body Finance
3. Publication No. 465, Policies Governing Secondary School Student Body Finance
4. Publication No. 644, Accounting Manual for Junior and Senior High Schools Student Body Funds

b. The use of the phrase “**school checking account**” should be defined further as either the “student body checking account” or the “imprest fund checking account.” Without this clarification the phrase could be misinterpreted because for some schools “school checking account” could mean the checking account for both student body and imprest funds, while for some this could mean just the student body checking account.

c. This further definition would clarify the types of funds included in the “school checking account” as reflected on Table 1 on page 2-4 of the report “Review of Imprest and School Checking Accounts at Five Schools for Fiscal Year 1996-97.” See
Footnote 4
below

Although it appears that Table 1 encompasses the auditors’ examination of both the imprest and the student body funds, the inclusion of the size of the imprest account is misleading because the “Total expenditures in Fiscal Year 1996-97 for accounts reviewed” presented were for both the imprest and student body funds, including other trust accounts maintained with the student body account. (8)

If the overall review was for the use of imprest fund and if the total expenditures for 1996-97 were for imprest fund related disbursements only, then presenting the size of the imprest account would be more significant. (9)

⁴Page 2-4 is now page 16.

Our verification with Accounting & Disbursement Division showed the following:

	<u>Nimitz MS</u>	<u>Ramona Oppty HS</u>	<u>So.Gate MS</u>	<u>Tweedy Elem.</u>	<u>Willenberg Sp. Ed. Ctr</u>
Size of Imprest	\$ 4,000	\$ 750	\$4,000	\$1,500	\$ 2,000
Total Imprest Reimbursed	\$39,800	\$5,300	\$23,600	\$6,700	\$10,000
Total exp /Table 1 (Page 2-4)	\$393,184	\$14,688	\$330,236	\$28,997	\$9,738

2. Page Int-4: “...Willenberg Special Education Center, was selected to determine whether they had acted to correct their misuse of imprest funds.”

See
Footnote 5
below

District Comments:

Specific details regarding “their misuse of imprest funds” at Willenberg Special Education Center were not clearly explained. We would like to suggest that the source of these findings be disclosed: i.e., whether or not “,their misuse of imprest funds” was based on an audit report issued by the District Internal Audit Branch, or some other sources. (10)

It is further suggested that the state auditors include comments as to whether or not they had determined that the school “had acted to correct their misuse of imprest funds.” (11)

3. Page 2-3: “In reviewing five schools ‘imprest account transactions for fiscal year 1996-97, we identified weaknesses in controls over these funds at all five schools. Expenditures from the accounts we reviewed ranged from \$9,738 to \$393,184. Because three of the five schools combined their imprest accounts with their school checking accounts, we also reviewed the combined accounts.”

See
Footnote 6
below

District Comments

We would like to recommend that the sentence beginning with “Because” should come before the sentence starting with “. expenditures from these (the) accounts.” With the sentences arranged as shown above, it appears that the expenditures which ranged from \$9,738 to \$393,184 belong to the imprest account. (12)

⁵Page Int-4 is now page 4.

⁶Page 2-3 is now page 15.

Comments

California State Auditor's Comments on the Response From the Los Angeles Unified School District

To provide clarity and perspective, we are commenting on the Los Angeles Unified School District's (district) response to our audit report. The numbers correspond to the numbers we have placed in the response.

The district has misinterpreted our findings.

- ① We clearly acknowledge on page 9 and throughout the report that the safety and well-being of the children must be the district's first priority.
- ② We recognize that rigid adherence to guidelines in all cases is unrealistic. While we believe that the district should clarify and consistently apply its policy, we acknowledge that unusual situations may arise. In these situations, as stated on page 11, we recommend the district obtain legal advice before taking actions inconsistent with district policy. By doing so, the district can take swift action to protect the children while minimizing its exposure to allegations of harassment and lawsuits.
- ③ We do not contend that the reporting party should not have reported the alleged abuse in this instance; certainly reporting is crucial and appropriate. However, we do question the propriety of the principal investigating the alleged abuse without the permission of the investigating agency. Further, as we state on page 8, the district's policy precludes its employees from investigating allegations by taking statements.
- ④ Although the district states it has never been their practice to require outside agency approval for the temporary transfer of employees who are the subject of suspected abuse reports, as we explain on pages 5 through 7, the district's written policy is ambiguous in this regard. Therefore, we have recommended that the district clarify its policy.
- ⑤ As reported on page 6, the district has not consistently treated its employees who have been accused of child abuse.

- ⑥ Although the administrator has ultimate responsibility for the imprest fund, requiring more than one approval provides additional accountability and control and decreases the likelihood of improper purchases.
- ⑦ We have clarified the text on page S-2.
- ⑧ We explain the types of accounts we reviewed on page 15, immediately preceding Table 1.
- ⑨ See note 8. At four of the five schools we visited, we reviewed the student body accounts in addition to the imprest accounts.
- ⑩ We concur with this comment and have added a footnote to page 4.
- ⑪ We concur with this comment and have added a sentence on page 16.
- ⑫ We concur that the ordering of the sentences may be unclear and have rearranged the sentences on page 15.

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps