Volusia County Schools, Florida
Internal Audit Report: FY23 Follow Up

August 11, 2023

RSM

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TRANSMITTAL LETTER

August 11, 2023

The Audit Committee of
The School Board of Volusia County, FL
200 North Clara Avenue
DeLand, FL 32720

Pursuant to the Volusia County Schools' ("VCS," "District") approved internal audit plan for fiscal year ("FY") 2022-23, we hereby present the results of our follow-up procedures over the four (4) previously issued internal audit reports. The objective of this follow-up was to obtain the status of prior audit observations, and management's remediation progress to-date. Below is a summary of the closed, in progress, and open observations within these internal audit reports:

Internal Audit Report	Total Audit Items	Total Closed	Closed During This Round	Open	
				In Progress	Not Started
Design and Construction *Issued October, 2020*	6	4	1	2	0
Maintenance Department Operations *Issued September, 2021*	5	3	3	2	0
White Fleet Management *Issued September, 2021*	7	4	4	3	0
Year End Tax Reporting and Disbursements *Issued September, 2021*	8	3	2	5	0
Total	26	14	10	12	0

We would like to thank the staff and all those involved in assisting us with this follow up report.

Respectfully Submitted,

RSM US LLP

RSM US LLP

DESIGN AND CONSTRUCTION
Issued October 7, 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION

1. Thorough Review of Change Orders and Pay Applications	Risk Rating: High	Status: Closed

Observation Summary

During our walkthroughs, we identified that although several groups are involved in the review process of pay applications and change orders, the roles/responsibilities of each group are not clearly defined. Through our detailed testing of construction change orders and pay applications (invoices), we noted inaccuracies that may have been identified by personnel through a more detailed review of supporting documentation prior to acceptance of the pay application or proposed change. Specifically, we identified inaccuracies in two (2) of six (6) change orders tested and two (2) of six (6) pay applications tested. In addition, the pay application and change order review process does not utilize a checklist as a means of verifying that all critical aspects of a review have been performed.

Recommendation Summary

We recommend that the District more clearly define the review process for pay applications and change orders, to include specific procedures to be performed, and/or expectations of the type of review performed by each group. For example, project managers (since they are on-site) should be responsible for validating quantities of general conditions items (labor hours, dumpsters, toilets, etc.), and assessing reasonableness of billings vs. project progress. Administrative personnel should be responsible for validating mathematical accuracy and that each item in a billing includes a corresponding support document. We also recommend the District implement a checklist(s) to facilitate the review process. The checklist should be attached to each pay application and change order and follow the document through the entire review process. Checklists should include a signature/initial block for each procedure, so the reviewing party can indicate performance of each step. We have included a leading practice checklist as an appendix to this report.

Management's Action Plan

Response: Checklist have been created as part of the review of change orders as well as pay applications. The checklist for pay applications clearly defines party responsibility and task to review.

Responsible Party: Director of Design & Construction; Business Services Divisions

Estimated Completion Date: September 21, 2020

Internal Audit Review

RSM selected three (3) sampled pay applications and three (3) sampled change orders for detailed testing. We found that all pay applications and change orders reviewed utilized the recently implemented checklists – one (1) for the Construction team and one (1) for the Business Services team. The relevant responsibilities for each review team are clearly defined. As part of our review, we noted that all line items contained supporting documentation. The remediation plan for this observation is operating effectively. No exceptions noted. This observation is now closed.

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

3. Negotiation of Stipulated Rates	Risk Rating: Moderate	Status: Open

Observation Summary

During our detailed testing of construction invoices and in conversations with Management, we noted the District sometimes negotiates with contractors to establish rates within CMAR agreements. Although rates may be agreed with contractors, the District does not consistently maintain documentation supporting the reasonableness and methodology for determining the rates and did not modify contract language to reflect acceptable billing support for these items. Specifically, we noted instances where the District agreed to labor rates by position and to stipulated monthly vehicle rates. By design, CMAR agreements provide transparency of costs versus construction manager profits, by establishing a guaranteed maximum price (GMP) that includes actual costs, plus a percentage fee (profit). The contract templates utilized by the District contain provisions that require detailed support of actual costs for all items within the GMP. Although establishing rates can reduce administrative burden related to invoice review, this practice removes transparency of costs from the negotiated components. While negotiations to establish rates for certain components are commonplace, best practices include documenting the agreement in writing with the contractor, and documenting methodologies employed by the District for determining the reasonableness of rates agreed.

Recommendation Summary

When Management agrees to stipulated rates for certain components of a CMAR agreement, we recommend the District insert language or formal contract amendments, specifying which portions are stipulated rather than cost reimbursable. Further, we recommend the District perform pre-audits to support the reasonableness of fixed components, including documents reviewed to validate actual costs, historical cost comparisons, independent estimates, etc.

Management's Action Plan

Response: Insert language into the construction contract requiring daily timesheets and proof of CM payroll for each employee to be submitted with each application for payment.

Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services

Estimated Completion Date: February 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

3. Negotiation of Stipulated Rates (continued)	
Management's Response: September 2023	Internal Audit Review
1. Proof of payroll, to include timesheets, as made part of the agreement requirements. 2. General Requirements and General Conditions Previously Revised: GMP Exhibit, Paragraph 1.1.2, the GR Itemization and the GC Itemization attached as part of Attachment No.1; added language as underlined: • "Attachment No. 1 page _ of _ through page _ of _ dated _; including General Requirements Itemization and General Conditions itemization." Proposed: GMP Exhibit, Paragraph 1.1.2, additional language as underlined: • The Owner and Construction Manager acknowledge the General Conditions rates may change throughout the Construction phase of the Project; the adjustments will be indicated as part of the payment applications; these adjustments will not change the Guaranteed Maximum Price." **Updated Estimated Completion Date:** January 2024	RSM obtained the General Conditions/General Requirements (GC/GR's) breakdown for all three (3) sampled contracts. However, we noted that the labor rates charged in the associated pay applications did not correlate to the labor rates listed on breakdown. Additionally, as part of our detailed testing, we noted that one (1) pay application did not include timesheets or proof of CM payroll for each recorded employee to substantiate the work performed. RSM recommends the original remediation plan is completed by requiring vendors to submit daily timesheets and proof of CM payroll for each employee recorded on the pay application. In addition, we recommend that the rates included pay applications are reviewed to ensure they correlate directly to the agreed upon rates in the GC / GR breakdowns. This observation remains in progress.

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

4. Decentralized Procurement Policies	Risk Rating: Moderate	Status: Open

Observation Summary

Through our walkthroughs, we noted that procurement of construction contracts is currently decentralized and managed by Design & Construction Department (D&C), rather than the Purchasing & Warehouse Services Department. This practice of decentralized procurement is inconsistent with leading practices we observe at similar entities. Further, in our testing, we noted noncompliance with the Purchasing policy, as detailed in Observation #2 above. Many state statutes define appropriate procurement methodologies, thresholds, and provide overall guidance for the purchase of services with public funds. District policies, while consistent with statute, generally apply more stringent requirements. Verifying compliance with various statutes and policies is complicated, and purchasing departments are specifically equipped to independently facilitate the process, with personnel fully dedicated to performing purchasing duties. Decentralized procurement increases several risks including noncompliance with statute and policy, inappropriate segregation of duties, and independence and conflicts of interest, which all contribute to the risk of negative public perception.

Recommendation Summary

We recommend the District shift responsibilities of facilitating construction procurement to the Purchasing & Warehouse Services Department. Considering that construction procurements are unique, and often require specialized knowledge, this recommendation is not intended to remove D&C from the procurement process. Rather, we recommend that D&C personnel work in conjunction with Purchasing to provide technical assistance in scope development, qualifications review, contract negotiations, and other areas as needed. This, combined with the Purchasing & Warehouse Services Department's assumption of responsibility for solicitation advertisement, collection of bids/proposals, organization of committees, and scoring/ranking will provide the District with an independent procurement process, while allowing D&C to continue providing construction expertise in critical areas.

Management's Action Plan

Response: Facilities Planning & Construction and the VCS Purchasing Department will hold a series of workshops to determine the proper division of responsibilities for the procurement of professional design and construction services.

Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services

Estimated Completion Date: February 28, 2020

Management's Response: October 2023	Internal Audit Review
Facilities Planning and Construction and the Purchasing Department will continue to meet collaboratively to determine the proper division of responsibility for the procurement of professional design and construction service. **Updated Estimated Completion Date:** *None Provided*	Per Management, remediation actions have not yet been completed. Based on discussion in October 2023, Management and District leadership are currently discussing the delineation and assignment of responsibility between both the Purchasing and Design & Construction teams. We recommend performance of follow-up testing after the remediation plan has been decided and implemented. As such, this observation is in process.

MAINTENANCE DEPARTMENT OPERATIONS
September 16, 2021

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS

1. Emergency Purchase Authorizations	Risk Rating: High	Status: Closed

Observation Summary

The District has self-identified a control gap regarding the authorization and management of emergency purchases. In the current Oracle configuration, purchase orders designated as "emergency purchases" may be automatically approved without authorization from the Purchasing & Warehouse Services Department. Through discussions with the Director of Purchasing & Warehouse Services, management is currently implementing a control structure to enhance visibility and management of emergency-related disbursements. This solution includes three components: a systematic, preventative control within Oracle to route emergency purchases through procurement for approval; a manual, detective control to identify direct pay emergency purchases prior to payment; formalized training for internal account and District bookkeepers to deepen understanding of emergency purchase protocols.

Recommendation Summary

We recommend testing the operating effectiveness of these controls twelve (12) months after implementation. We also recommend the District consider establishing a quarterly reporting cadence to identify and review any purchases designated as "emergency" within Oracle.

Management's Action Plan

Response: The District will establish a control within Oracle that will ensure proper routing to Procurement Services. The District will test the operating effectiveness of these controls twelve (12) months after implementation. The District will establish a quarterly report to identify and review any purchases designated as "emergency" within Oracle to ensure fidelity of the control.

Responsible Party: Director of Purchasing & Warehouse Services; Chief Technology Officer

Estimated Completion Date: June 30, 2022, to implement control, and June 30, 2023, to test control

Internal Audit Review

RSM noted that Oracle's "audit log" capability has been activated, and that a history of all emergency purchase orders can be generated for review. RSM selected ten (10) emergency purchases and reviewed the approval history for each. All samples had proper segregation of duties between the requesting user and the approving user, and all ten (10) samples had obtained approval from the Purchasing Department.

RSM noted that a quarterly review of emergency purchases has not been implemented. Management asserts that, due to the amended Oracle workflow, a quarterly review of emergency PO's is not necessary. This observation is now closed.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

2. Job Cost Capture: Oracle and AiM	Risk Rating: High	Status: Open

Observation Summary

During our walkthrough procedures with Management, we discussed the recent integration of the Oracle financial system and noted a gap in the bridge between Oracle and AiM. Work orders recorded within AiM may not include job costs captured within Oracle. This data gap includes costs and work orders dating back to Oracle's implementation in 2019 and has since caused significant delays in work order closure and inaccuracies in financial reporting.

Recommendation Summary

We recommend the District consider the following options to address the issues identified: (1) formally assign IT resources specifically dedicated to Oracle issue resolution, and consider a deep dive into the technical infrastructure that may have caused this issue; (2) implement a new work order system that is more integrated with the Oracle financial system; and (3) review Oracle capabilities to support work order management. Until a systematic solution is found, the District should manually capture costs to support business decisions and track performance.

Management's Action Plan

Response: Work with Information Technology Services to support IT resources around development into the technical infrastructure--including implementation of a new work order system, capturing labor hours and costs, and determine whether Oracle has the capability to support work order management.

Responsible Party: Director of Maintenance and Operations; Chief Technology Officer

Estimated Completion Date: June 30, 2022

Internal Audit Review

During the District's remediation of this observation, Management self-identified an issue regarding the relay of data between AiM and Oracle. Per Management, capital account requisitions over $10,000 were erroneously recorded in both Oracle and AiM, causing duplications and inaccuracies in expenditure reporting. Finance and Maintenance personnel collaborated to resolve the issue. On June 22nd, Management informed RSM that remediation has been completed and this observation was ready to test.

RSM obtained the AiM0600 work order data and the Oracle journal detail for the months of May and June, and noted that total work order costs represented in AiM were recorded accurately within Oracle. RSM also selected a sample of ten (10) work orders and successfully traced their associated costs to Oracle. Additionally, we obtained supporting documents to evidence that Management performs a reconciliation between both systems. We noted that the Finance Department utilizes automatic email notifications to provide notice of trail journals to the Maintenance Department. Once Maintenance reconciles the Oracle trial journal to what is reported in AiM, the Oracle journal is reviewed by the Director of Finance and posted. RSM noted no exceptions.

This observation is now closed.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

3. Project Ownership: Maintenance versus Design & Construction	Risk Rating: Moderate	Status: Open

Observation Summary

Based upon discussion with both Design & Construction ("D&C") and Maintenance & Operations ("M&O") personnel, we noted that there is no formal process for appropriately assigning projects between teams based on experience, capabilities, or project size. Recently implemented by the current COO, M&O and D&C conduct bi-weekly meetings to discuss possible crossover of projects, or the status of on-going activities; however, there is no specific language within the current policies and procedures that define and/or outline how to identify whether a project should be "owned" by M&O or by D&C.

Recommendation Summary

We recommend the District formally document expectations and procedures when delineating projects between Design & Construction and Maintenance & Operations departments. These policies may include, at a minimum: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.

Management's Action Plan

Response: The Maintenance & Operations and Design & Construction teams meet bi-weekly to discuss projects and determine appropriate department. Department leadership teams will meet with COO to develop procedures and expectations for meetings, including, but not limited to: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.

Responsible Party: Chief Operating Officer; Director of Design & Construction; Director of Operations & Maintenance.

Estimated Completion Date: June 30, 2022

Management's Response: October 2023	Internal Audit Review
Maintenance and Construction have met and started creating a procedure for to delineate assigning work requests between Design and construction and Maintenance and Operations. **Updated Estimated Completion Date**: October 27, 2023	During FY22 Follow-Up, RSM obtained copies of meeting invitations and meeting minutes to evidence that regular meetings between the Design & Construction and Maintenance & Operations Departments are being held on a recurring basis to discuss current projects. In this FY23 round of follow-up, we were provided with a draft policy and procedure document titled, "Operations Work Request Assignment", which delineates how work is to be assigned between the Design & Construction and Maintenance & Operations teams. According to the policy document, decisions are based upon whether the work is related to the repair/replacement of existing facilities, renovation or remodeling of existing facilities, new construction, and project cost. Until this procedure has been formalized, this observation remains in progress.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

4. Work Order Management	Risk Rating: Moderate	Status: Open

Observation Summary

Based upon discussion with Maintenance & Operations personnel, along with a review of current policies, procedures, and best practices, we noted the following exceptions: 20% of the sampled work orders were created and approved by the same person; 20% of the sampled work orders did not have evidence of work order creation approval; 70% of the sampled work orders did not contain reference to a Customer Service Request (CSR), which would have initiated the work; 100% of the sampled work orders did not have evidence of Supervisory review.

Recommendation Summary

We recommend the Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. We recommend strengthening the current processes to ensure work orders include appropriate documentation of the CSR and that all work orders receive proper approval. Further, we recommend that the 5% audit requirements are monitored, and that functionality be introduced into the AiM workflow to appropriately document work orders to include documented review requirements. This functionality will be able to drive reporting to validate compliance with review requirements.

Management's Action Plan

Response: Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. Strengthen new processes around work orders including appropriate documentation of the CSR and that all work orders receive proper approval from a supervisor or higher. Further, 5% audit requirements are monitored, and that the AiM workflow must appropriately document work orders after receiving the detailed review. Alternatively, a separate workflow can be configured to route higher cost, or higher priority work orders to include documented review requirements. This functionality will be able to drive reporting to validate and monitor compliance with review requirements.

Responsible Party: Director of Operations & Maintenance; Coordinator of Operations & Maintenance

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

4. Work Order Management (continued)

Management's Response: October 2023	Internal Audit Review
Supervisors for Maintenance and Operations continue to triage all incoming CSR's and delegate the work orders by priority. In addition, Maintenance and operations continue to monitor work order audit requirements by zone (5%). Queries ae available to all users to track work order status and priority. **Updated Estimated Completion Date**: *None Provided*	Management indicated that this observation is not ready for follow-up during this round (FY23). During FY22 Follow-Up, the Department provided the draft SOP (# FSM 3.4.04-01) related to enhanced work order management procedures. RSM reviewed and noted that it contains details related to work order supervisory review. We noted that the SOP does not yet contain requirements related to work order creation, approval, segregation of duties, or CSR information. Through discussion with Management, we noted that revision to SOP and related procedures are currently in progress. As such, this observation remains open.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

5. Policy Language for Piggyback Agreements	Risk Rating: Low	Status: Closed

Observation Summary

As part of our walkthrough procedures, we discussed the use of "piggyback" agreements across the District. Upon review of District policies and procedures, we noted there is limited language related to the requirements for requesting to use and receiving approval from appropriate parties to execute a new agreement using an active contract at another jurisdiction.

Recommendation Summary

We recommend the District enhance their policies to document current processes relating to requesting and executing piggyback purchases. Policy verbiage may include: the assignment of review and approval authorities based on dollar value thresholds (including sign-off from Legal, Purchasing & Warehouse Department, and/or the Board as appropriate); listing the required documents from the original entity; describing the review process of those documents; procedures detailing the solicitation of vendor signatures on the contract execution page. We also recommend the District consider gathering documentation to validate compliance by the original entity that executed the agreement.

Management's Action Plan

Response: Enhance policies to document current processes relating to requesting and executing piggyback purchases. Policy verbiage may include: the assignment of review and approval authorities based on dollar value thresholds (including sign-off from Legal, Purchasing, and/or the Board as appropriate); listing the required documents from the original entity; describing the review process of those documents; procedures detailing the solicitation of vendor signatures on the contract execution page. Gather documentation to validate Volusia County Schools contract compliance by the original entity that executed the agreement.

Responsible Party: Director of Purchasing & Warehouse Services

Estimated Completion Date: June 30, 2022

Internal Audit Review

RSM obtained the "Piggyback Checklist" implemented by management on July 13, 2022, which was designed to supplement the District Fiscal Policy 702. Through review, RSM noted this checklist defines what approvals are required (Principal or Department Head and Procurement Buyer) and what documentation must be obtained prior to entering into a piggyback agreement (i.e., contract information page, list of contractor(s), pricing sheets, fully executed contract and amendments, tabulation and evaluation sheets). The checklist and piggyback review process is designed effectively.

The operating effectiveness of this control will be assessed during the current internal audit of the Procurement and Warehouse Services Department. Any exceptions that may arise as part of that testing will be documented in the corresponding report. This observation is now closed.

WHITE FLEET MANAGEMENT
September 16, 2021

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT

1. District – Retirement of Fixed Assets	Risk Rating: High	Status: Closed

Observation Summary

As part of our testing of vehicle retirements, we requested documentation to evidence that the vehicles were properly retired in Oracle. We obtained communication from the Inventory Specialist stating that the District has been unable to process a retirement in Oracle due to ERP implementation setbacks but is continuing to seek resolution.

Recommendation Summary

We recommend the District retire all disposed vehicles in the financial system. If there is a system issue / limitation, develop a workaround to validate that any remaining value left on disposed vehicles has been written down to $0 while the asset remains on the fixed asset register pending retirement at a later date.

Management's Action Plan

Response: With our legacy system, SmartStream, retirements and disposals of fixed assets went for board approval on a quarterly basis. With this process in place, our Fixed Asset team would deliver this information to our Finance team for removal of the asset from our Financial Statements. With our current system, Oracle, retirements and disposals are not going before the board for approval but are being transferred to a "Hold Location" with a disposition code and date. Our ITS department and our Fixed Asset team are currently working on pulling the necessary data through a report from our Oracle system to provide that information to our Finance Team for removal of the assets from our Financial Statements. Our ITS department is also contacting our Oracle system team to understand how the items can be placed into the "Hold Location" without continuing to depreciate until they can be officially deleted from Oracle.

Responsible Party: Finance Director; Capital Projects Analyst

Estimated Completion Date: June 30, 2022

Internal Audit Review

Fixed asset functionality and management has migrated from Oracle to FOCUS. RSM selected five (5) vehicle retirements and noted that all five (5) had a completed Deletion Analysis Form, Board approval, and had an updated, "inactive" status within FOCUS, where fixed asset data resides. Of the five (5) retirements, two (2) were sold in auction. The remaining three (3) vehicles were either sold at a later auction date or traded in. To test that the retirement process had been fully completed, RSM also obtained the auction package and documentation of the entry made in Oracle to reflect the sold price at auction for each of the two (2) samples sold. This observation is now closed.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

2. Facilities – Policies and Procedures Documentation	Risk Rating: High	Status: Closed

Observation Summary

During information-gathering procedures, we noted that Facilities Services does not have exiting procedural documents that define and facilitate their processes and activities specific to the maintenance and repair of their white fleet vehicles, including utilization of the work order system, preventative maintenance, vehicle repairs, parts acquisition, and collection/use of data for analysis. Processes are informal and undocumented.

Recommendation Summary

We recommend the development of comprehensive procedures related to the maintenance and repair of white fleet vehicles and related fleet management. Procedures should be developed based on existing District policies, practices, and systems. Additionally, we recommend implementing an annual review and approval process of established procedures and policies to ensure ongoing accuracy and appropriateness.

Management's Action Plan

Response: Centralize the white fleet management process for transportation and facilities vehicles to use a single system for assignment of vehicles, scope of usage, maintenance and repair activities, parts acquisition, and data analysis. As part of centralization, develop and approve a comprehensive set of policies and procedures documentation.

Responsible Party: Assistant Director of Student Transportation Services

Estimated Completion Date: June 30, 2022

Internal Audit Review

Through discussion with Management and review of white fleet documentation, we noted that management of the District's White Fleet has been fully centralized within the Student Transportation Services Department (STS) as of March 28, 2022. The STS Department provided RSM with the *White Fleet Guidelines and Procedures* and the *Student Transportation Shop Procedures Manual.* Upon review, we noted that these documents contain daily standard operating procedures, responsibilities related to maintenance and repair of White Fleet vehicles, work schedules, vehicle deletion preparation, repair order generation within Transman, inspection procedures, etc. This observation is now closed.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

3. Facilities – Fleet Management Software Functionality Limitations	Risk Rating: High	Status: Closed

Observation Summary

AiM is not intended to provide the level of detail or capture the specific data (labor and parts costs per repair/maintenance event) needed to effectively monitor fleet maintenance operations, and to properly analyze fleet vehicles and make informed decisions. Further, AiM is not designed to allow for establishing preventive maintenance schedules, necessitating the use of workarounds to identify vehicles due for preventive maintenance. We reviewed the population of work orders opened during the review period and evaluated the quality and consistency of the information captured. Specifically, our testing noted: 20 work orders in which the labor hours captured appear to be excessive; 1,123 work orders in which no labor hours were captured in the work order detail, despite the work order description indicating that labor would have been required; 1,410 work orders in which there were no costs recorded for parts; 792 work orders that remained open for extended periods of time. Additionally, we noted that 100% of the sampled vehicles did not contain evidence that they were included in the scheduling of preventative maintenance, and 30% of the sampled vehicles did not contain evidence that the preventative maintenance was completed.

Recommendation Summary

We recommend that the District review the fleet management software utilized for fleet maintenance operations and determine if the needs of the departments and the District were being effectively met. Per Observation #2, the District would have the opportunity to streamline under one single fleet management system if and when operations became centralized.

Management's Action Plan

Response: Conduct a SWOT analysis on AiM and Transman to identify the go-forward single infrastructure solution for tracking all components named in the audit, inclusive of life cycle management, addition and deletion tracking. Implement the identified system across the consolidated Fleet Management function.

Responsible Party: Assistant Director of Student Transportation Services; Chief Technology Officer; Chief Operating Officer

Estimated Completion Date: June 30, 2022

Internal Audit Review

Per conversations with the Student Transportation Services (STS) Department and the Facilities Maintenance Department, and through review of documentation, RSM noted that the District's White Fleet has been fully centralized to STS. This transition included a full migration to Transman from AiM. RSM obtained a listing of all White Fleet repair orders within Transman and noted that the system is capable of tracking past and future preventative maintenance dates, total labor hours, total cost, repair reasoning (i.e., inspection, driver report, preventative maintenance, etc.), repair descriptions (i.e., radio equipment, windshield wiper, front brakes, air bag, etc.). This observation is now closed.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

4. Facilities – Purchasing Card Parts Purchases	Risk Rating: High	Status: Open

Observation Summary

P-Card vehicle parts purchases are reviewed by Facilities Maintenance & Operations ("M&O") administrative personnel to validate that the purchase receipt agrees to the P-Card charge amount, along with a cursory review to verify that the charges appear to be Fleet-related. However, a detailed, technical review is not performed by someone independent to verify that the vehicle parts purchased coincide with the specific work being performed on a given vehicle. Additionally, vehicle parts purchases are aggregated and added to vehicle work orders within the AiM system. There is not a process to document vehicle parts purchases in the respective work order phases so that the cost of individual repairs, or the total cost of vehicle maintenance and repair can be accurately calculated. Specifically, our testing noted 1,410 work orders in which there were no costs recorded for parts, despite the work order description indicating that parts would have been required to address the issue noted in the work order description. Of the 1,410 work orders, we selected a sample of 267 that had no parts costs captured on the work order. For each sample selected, we requested support for the lack of parts costs. Management provided a response attributing the lack of parts costs to the limitations of the AiM system, rather than an actual reflection on the cost of any parts used in the associated repairs.

Recommendation Summary

We recommend that Facilities Maintenance & Operations (M&O) develop, document, and implement a process to perform an independent technical review of P-Card vehicle parts purchases to verify that purchases are appropriate for open maintenance and repair order needs and supported by work order documentation (notes, repair codes, etc.). We further recommend that M&O identify a method for better tracking the vehicle repair parts costs associated with the completion of each vehicle maintenance and repair work order, which will allow for better, more consistent data regarding the costs of repairs.

Management's Action Plan

Response: Establish a 1:1 relationship between a part and a vehicle and ensure an economy of scale approach is established for part ordering and inventory management. Every P-Card transaction must have a corresponding vehicle number, work order number, and cost (labor/part) which are captured within the vehicle management system. Establish a refined P-Card training module for white fleet maintenance and repair orders.

Responsible Party: Assistant Director of Student Transportation Services; Director of Purchasing & Warehouse Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

4. Facilities – Purchasing Card Parts Purchases (continued)

Management's Response: August 2023	Internal Audit Review
Due to the fact that a technical review may not be possible due to time limitations and availability of the Assistant Director of Fleet/Finance, the finance specialist has been the back-up and has been past practice for over 25 years. Transman is limited and does not have an email notification where this could be added in the field. Based on recommendations for a better technical review, there is discussion about having the Shop Manager for each area performing the technical review as to not up the process in the event the Assistant Director not available due to perform this task. **Updated Estimated Completion Date**: December 31, 2023	As noted in **Observation 3** and **2** above, the District has centralized White Fleet operations within the STS Department, including a full migration from AiM to Transman. Per discussion with Management, there are five (5) p-cards within the STS Department, two (2) of which are regularly used for White Fleet purchases (PCARD A_G and PCARD H_Z). These cards are locked in a safe, and primarily used by the Transportation Finance team. With approval, the card can be "checked out" and utilized by another individual (such as a Shop Manager). Each p-card transaction is reviewed by the Assistant Director or Director of White Fleet, who performs an independent, technical review of the parts purchased and assess the appropriateness of those parts for the individual repair order. This review must take place prior to the PO being opened and is documented through Transman's purchase history. In circumstances where a technical review by the Assistant Director or Director cannot be conducted due to time limitations and availability, a Finance Specialist (who does not have technical knowledge of vehicle repairs) can open the PO. If this occurs, the Assistant Director or Director may perform a "lookback" review at the end of the day to ensure a technical review takes place; however, this retroactive review is not documented. RSM selected a sample of fifteen (15) P-Card purchases and obtained the repair order detail, vendor invoices, purchase orders, and the approval audit trail within Transman. RSM noted twelve (12) out of fifteen (15) samples did not have evidence that an independent, technical review took place. We recommend that all technical reviews (including those performed at the end of the day, wherein time limitations necessitated a delayed review), are documented within Transman. We recommend performance of follow-up testing in FY24. As such, this section of the observation remains open.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

5. Facilities and Transportation – Decentralized Fleet Maintenance Operations	Risk Rating: High	Status: Closed

Observation Summary

Fleet maintenance operations within the District are performed by both Student Transportation Department ("Transportation") and the Facilities Maintenance & Operations ("M&O") Department. With a few exceptions, Transportation and M&O fleet operations are conducted and managed independently. Through our procedures and walkthroughs, we found that there is generally a lack of coordination between Transportation and M&O. As a result, each department procures vehicles independently, has their own agreements with parts and services vendors, maintains their own equipment and tools, and manages their own vehicles. Additionally, Transportation and M&O utilize their own separate Fleet Maintenance IT systems.

Recommendation Summary

We recommend that the District review the current organizational structure wherein fleet maintenance operations are decentralized and split among two separate departments. The District should evaluate alternative organizational structures that could result in increased efficiencies, cost savings, increased vehicle availability, and the elimination of redundancies inherent in maintaining two separate fleet operations, run independently, and led by two separate management teams, each with their own administrative personnel. The evaluation should consider, but not be limited to the location of the using departments and vehicles being served, the current responsibilities and expertise of personnel at each location, the performance of both technical and administrative personnel throughout each department and location, the availability of parts inventories, and relationships and agreements with vehicle parts and services vendors. If management should choose to not centralize the operations of transportation and M&O, management should consider alignment of policies and procedures along with monitoring of key processes.

Management's Action Plan

Response: Centralize white fleet management under Transportation Services. This will ensure alignment of policies, procedures, and enforcement guidelines across the white fleet. Regular monthly monitoring meetings will occur between Assistant Director, Finance & Fleet Management, Transportation Services, the Chief Operating Officer, and the Director of Maintenance.

Responsible Party: Assistant Director of Student Transportation Services

Estimated Completion Date: June 30, 2022

Internal Audit Review

RSM noted that, as of March 2022, the District's White Fleet has been fully centralized within the Student Transportation Department. RSM met independently with leadership from the STS Department and the Facilities Maintenance Department to discuss the transition and obtained evidence that cross-departmental collaboration meetings between both teams occur on a regular basis. This observation is now closed.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

6. Facilities and Transportation – Vehicle Replacement Criteria	Risk Rating: Moderate	Status: Open

Observation Summary

White fleet vehicles may need to be retired for several reasons, including mileage, age, irreparable damage due to an accident, or in some cases operational failure. To most effectively retire vehicles before operational failure, a number of variables must be considered to appropriately identify and select vehicles for retirement. Student Transportation Department and Maintenance and Operations currently use vehicle age and mileage as the initial determinant of white fleet replacement eligibility. There are subsequent discussions with using departments to further evaluate each vehicle proposed for retirement to consider factors such as reliability (based on available information) to determine whether to replace or retain each vehicle. The implementation of a more robust scoring method would provide an objective list of vehicles that should be replaced based on several different metrics and factors.

Recommendation Summary

We recommend Student Transportation Department and Maintenance & Operations consider the adoption of a more robust, quantitative criteria for vehicle replacement, which considers additional variables such as maintenance history, vehicle reliability, vehicle condition, etc. Quantitative factors could include age, miles/hours, type of service, reliability, maintenance and repair costs, and condition. A timeline for adoption should be defined and adhered to. Once adopted, the additional criteria should be added to updated fleet standard operating procedures, so all stakeholders are aware of the inputs for this decision-making process. Review of vehicles subject to replacement should be performed, at the least, on an annual basis.

Management's Action Plan

Response: Establish criteria for vehicle replacement and ensure updates of a current addendum to the white fleet operator's manual every year. The criteria may be dependent upon the purpose of the vehicle.

Responsible Party: Assistant Director of Student Transportation Services; Coordinator of Finance and Data in Maintenance & Operations Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

6. Facilities and Transportation – Vehicle Replacement Criteria (continued)	
Management's Response: August 2023	Internal Audit Review
The white fleet justification form is in use for the FY 2024 white fleet purchase, but we have not received any vehicles to date. The white fleet guidelines outline the replacement criteria and a vehicle justification form & vehicle deletion form are also in place. **Updated Estimated Completion Date**: March 31, 2024, but may need to be extended contingent on vehicle delivery schedule.	RSM obtained the Management's newly created Vehicle Justification Form ("VJF"), which is intended to facilitate the analysis of potential vehicle replacements. We noted that key data fields like vehicle miles, age, and vehicle purpose are included in the form. RSM also obtained the *White Fleet Guidelines and Procedures* document noted that, while vehicle replacement procedures are included at a high level, it does not yet contain detail related the use or purpose of the Vehicle Justification Form. Through discussion with Management, RSM noted that while the *White Fleet Guidelines and Procedures* and the Vehicle Replacement Form have been created, they have not yet been utilized, as no vehicle replacements have occurred since the VJF's implementation. As such, operating effectiveness of the remediation process cannot be tested at this time. We recommend the VJF be enhanced to include additional, quantifiable data fields, and the *White Fleet Guidelines and Procedures* document be enhanced to include detail on the VJF. This observation will remain open until full testing can be completed.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

7. Facilities and Transportation – Documentation of Vehicle Additions & Retirements	Risk Rating: Moderate	Status: Open

Observation Summary

Fleet vehicle purchase requests require business case justifications supporting the need to purchase the requested vehicle. Justifications could include increased headcount or the need to retire/replace unreliable vehicles. Similarly, vehicle retirements require documentation that evidences the completion of activities associated with the retirement of fleet vehicles. These steps include the completion of maintenance tasks that remove District decals, sensitive or prohibited equipment, emergency lights, etc. We selected a sample of five (5) vehicle additions and conducted detailed testing, which identified the following instances related to insufficient purchase documentation: Two (2) of selected vehicle purchases did not have a documented reason as to why the new vehicle was appropriate use of departmental funds; as it relates to vehicle retirements, we noted that none of the sampled retirements had a completed decommissioning work order, and none of the sampled retirements had an appropriately completed Transfer of Assets form.

Recommendation Summary

We recommend Student Transportation Department and Maintenance & Operations verify that all vehicle purchase requests include appropriate business case justifications prior to vehicle purchase, verify that evidence of approval for all vehicle retirement requests is properly documented and retained, and verify that all vehicle retirements are supported by completed decommissioning/dead lining work orders prior to completing the vehicle retirement and allowing the removal of the vehicle for sale.

Management's Action Plan

Response: We must build out a new business case model for all proposed white fleet additions/replacements. All new white fleet purchases must have a business case attached by the requestor. The BPO, Christopher Boyer, will vet all new requests with the Chief Operating Officer.

Responsible Party: Assistant Director of Student Transportation Services; Chief Operating Officer

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

7. Facilities and Transportation – Documentation of Vehicle Additions & Retirements (continued)	
Management's Response: August 2023	Internal Audit Review
As of September 7, 2023, there have not been any vehicle additions for this observation. **Updated Estimated Completion Date**: March 31, 2024	RSM noted the Deletion Analysis Form has been utilized to process retirements for the first time in January 2023. We selected five (5) vehicle retirements that occurred in the current 2023 calendar year. We found that all five (5) retirements had a related Deletion Analysis form, documented approval from the STS Assistant Director, Director, and Chief Operating Officer, and had a corresponding work order to process the retirement (used to remove license plate and decals and prepare the vehicle for auction). To document the sale of each vehicle sold, we obtained the auction package and the Oracle entry for the two (2) samples that were sold in auction. No exceptions were noted related to vehicle retirement. This portion of the observation is now closed. Through discussion with Management, RSM noted that there have been no vehicle additions since the Vehicle Replacement Form has been implemented or since the *White Fleet Guidelines and Procedures* has been updated. As such, the operating effectiveness of the remediation process cannot be tested at this time. This portion observation will remain open until full testing can be completed. RSM recommends follow up testing in FY24 to examine the District's remediated procedures related to vehicle additions. As such, this section of the observation remains open.

YEAR END TAX REPORTING AND DISBURSEMENTS
September 16, 2021

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures	Risk Rating: High	Status: Open

Observation Summary

During our review, we noted that policy and procedural documentation regarding key functions were outdated and, in some cases, obsolete. We noted that the latest revisions to Finance policies and procedures were made in 2015. The Finance Department is in the process of updating policies and procedures to align with the new Oracle application. However, through discussions with management we noted that no formal process for periodically updating policies and procedures existed even prior to software implementation. The Payroll Services Department was also found to maintain outdated policies and procedures that referenced applications no longer utilized by the District. The current policy does not provide updated guidance on how to complete current tasks, when to complete them, or defined roles and responsibilities for those tasks. Lastly, we noted that the Benefits Department retained outdated policies and procedures, last updated in 2006. While the Benefits Department does utilize checklists for some tasks, a formal process for reviewing and updating this tool for accuracy does not yet exist. The policies retained in the Payroll and Benefits Departments also affect external departments, such as IT.

Recommendation Summary

We recommend the District perform a formal review of policies and procedures for incomplete / outdated material on at least an annual basis or when a change occurs. All written procedures should be updated for accuracy and completeness. All relevant processes should be contained within the formalized procedures and should define how core functions are performed for all Payroll, Benefits, and Finance tasks. We recommend each respective Department consider utilizing checklists to provide structure and organization.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures (continued)

Management's Action Plan

Payroll Responses: Payroll will work with Human Resources and the legal department to develop a school board policy for Payroll and will also review and revise Policy 417. The payroll procedural manuals are in the process of being reviewed and updated based on current practice.

Responsible Party: Payroll Coordinator; HR Coordinator; Legal

Estimated Completion Date: June 30, 2022

Finance Responses: A formal review of Finance policies and procedures has begun, and all key processes in Oracle have been documented. A formalized comprehensive policies and procedures manual will be developed to incorporate all core functions in Finance by June 2022. The new ERP software is not functioning as designed in many areas and work around processes were developed as we continue to work through functional issues.

Responsible Party: Finance Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022

Benefits Response: We have processes documented; however, they will significantly change based on the direction of the new software.

Responsible Party: Risk and Benefits Management Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022.   After this, a formal review of processes will occur annually, and updates will be made to align with the current practices

Management's Response: August 2023	Internal Audit Review
The addition of the revision number has been added. **Updated Estimated Completion Date**: June 30, 2023	Management indicated that this observation is not ready for follow-up during this round (FY23). During FY22 Follow-Up, RSM obtained the updated *Finance Department Policies and Procedures* document from management, which was last revised in April 2022. RSM noted that there were specific step-by-step procedures related to accounts payable, receipting and recording, and bookkeeping. We recommend that, as part of finalization, a review and revision history log is added to the document. RSM also obtained the Board approved *Payroll Policy 419*. Through discussion with Management, detailed internal procedures are a work-in-progress. RSM further noted that updated procedures covering Payroll, Benefits, and HR have not yet been drafted. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities	Risk Rating: High	Status: Open

Observation Summary

During our review, we noted that no formal process exists to provide formal training to assist with change management within the Payroll Services Department. We noted that a process does not exist to formally communicate current practice or obtain acknowledgment from team members of their respective roles and responsibilities. Through conversations, we noted that informal training is often completed when roles and responsibilities shift but such training is performed inconsistently and without documentation. Furthermore, we noted that during this period of recent significant change in Payroll, job responsibilities have shifted without formal involvement from the Human Resources team.

Recommendation Summary

We recommend the Payroll Services Department assess each position's role and responsibility and make any updates to job descriptions needed. The Payroll Department should implement a formal training process for each position. We also recommend the Finance and Payroll Departments consider collaborating with Human Resources to review changes to roles and responsibilities and update job descriptions, if needed, to accurately record compensation levels and experience requirements. Lastly, we recommend the Department consider performing a skills analysis to compare departmental need versus the current roles and responsibilities.

Management's Action Plan

Response: A needs assessment for training has been conducted for the payroll staff. Based on the results, a training schedule has been implemented and will be ongoing throughout the year. Job descriptions will be reviewed with the HR department and amended as needed.

Responsible Party: Payroll Coordinator; HR Director; Finance Director

Estimated Completion Date: December 2021 with ongoing assessment

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities (continued)

Management's Response: September 2023	Internal Audit Review
Job descriptions were left the same and will be updated upon the implementation of a new ERP. The Payroll Coordinator position has been reinstated and is filled by Caroyn Snyder. She will assist in the evaluation and need for job description division. **Updated Estimated Completion Date:** June 30, 2024	Management indicated that this observation is not ready for follow-up during this round (FY23). During FY22 Follow-Up, RSM obtained evidence that each member of the Payroll Services team completed training via training request forms, completion forms, and calendar invites. Request forms contained a listing of job functions available for training, including terminal leave, year-end edits, re-calculations, sick bank, workers compensation, etc. We verified that the Payroll Coordinator signed off on each request form and maintained an Excel sheet to track requested and completed trainings. Through conversation with Management, we noted that job descriptions are currently under review and may be edited to depict responsibilities, compensation levels, and experience requirements more accurately. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval	Risk Rating: High	Status: Open

Observation Summary

Through our discussions with the Payroll Services Department leadership, we noted that several key tasks were performed manually by either a Payroll Analyst or Payroll Specialist without a secondary review for accuracy. Additionally, we noted that many of these tasks require input from external departments (i.e., deduction adjustments require input from the Benefits Department and W-2 forms require input from Human Resources). There are currently no formal procedures requiring documented review of inputs by the external Department prior to acceptance by Payroll.

Recommendation Summary

We recommend that the District consider assigning a designated reviewer of the inputs made by the Payroll Analyst or Specialist. Reviewers should, at a minimum, have the knowledge and expertise necessary to identify issues, miscalculations, and discrepancies. All updated procedures and expectations should be formally documented, periodically reviewed, and effectively communicated to all relevant process owners (see Observations 1 and 2). Further, we recommend that the Payroll Services Department collaborate with Human Resources and Benefits Departments to identify a process to document the review by each Department of their respective inputs for accuracy prior to flowing into payroll calculations.

Management's Action Plan

Response: Reassessment of the edit procedures run during payroll process will be conducted and updated as necessary. Develop a workflow, in conjunction with the IT department, for processing W2 documents accurately and on time. Develop a checks and balance system (a secondary review process) for reviewing and correcting any data calculation errors.

Responsible Party: Payroll Coordinator; Business Analyst; Sr. Information Systems Analyst; IT Director; Human Resources Director; Risk and Benefits Mgt. Director

Estimated Completion Date: June 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval (continued)	
Management's Response: September 2023	Internal Audit Review
PrimeBenefits has been fully implemented for open enrollment. The process of moving data from PrimeBenefits to CrossPointe has been tweaked and is now working with very little error. Also, with the most recent legislative session, the removal of union dues from payroll deductions has decreased the number of manual entries for the payroll department. There are only a handful of manual entries now on the 520 screen. **Updated Estimated Completion Date:** August 2023	Management indicated that this observation is not ready for follow-up during this round (FY23). During FY22 Follow-Up, we obtained the Master Services Agreement with BluFin HR (Prime Benefits) as evidence of the anticipated changes to payroll processing related to benefits. To allow new processes and systems to be internally reviewed and analyzed after implementation, we recommend performance of follow-up testing after: 1. Prime Benefits is fully implemented; 2. Review processes for payroll inputs that are not automated through Prime Benefits are implemented and documented; and 3. The secondary review process of manual tasks is formally documented. As such, this observation remains in progress.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management	**Risk Rating: High**	**Status: Open**

Observation Summary

During our review, we noted several issues regarding management of user access roles within the Oracle application. These issues are outlined below.

Role Capabilities and Clarity: Through discussion with the Finance Department and review of their Oracle assignments, we noted that a clear understanding of the access granted by role does not exist. We noted that both the standard Oracle roles and the custom created roles do not contain detailed descriptions of access or edit rights.

User Access Change Management: Through discussion with Information Technology Services on the process to edit Oracle roles, we noted that while user departments may request user access modifications from the Information Technology Services via email, edit requests are also accepted verbally and without documentation of who the requestor is, the desired role, or who approved it.

Periodic User Access Review: Through discussions with the Information Technology Services Department, we noted that while a periodic user access review was performed for the Cross Pointe application, a similar process for Oracle user access has not yet been implemented.

Recommendation Summary

We recommend the following:

- The district should perform a baseline review of all roles, define the access capabilities within each role and document for reference.
- User access provisioning should be the responsibility of the IT function where possible. This process could be further enhanced by the creation of a separation of duties matrix by department whereby, new access will only be provisioned if the access does not create a conflict or if a mitigating control is identified prior to granting the access.
- Changes made to the access capabilities should follow a defined process that includes proper request, testing, and approvals by each IT and requesting Department prior to the change being made. No changes should be made to roles without first determining if the change will result in a segregation of duties conflict.
- The District should implement a regular user access review.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management (continued)
Management's Action Plan

Response: The IT Department will create a formal procedure for 1.) Creating, 2.) Editing, and 3.) Assigning user access roles in the Oracle System to include review and approval of management.

The IT Department will update our customized roles to clearly define the capabilities and access provided.

As the District cannot modify the description of Oracle's canned roles, the IT Department will submit a service request asking the vendor to update their role descriptions.

The IT Department will create a formal procedure regarding the period review of user access to the Oracle system. This process will be maintained and documented.

Responsible Party: Finance Director; ERP System Administrator; IT Director

Estimated Completion Date: March, 2022

Management's Response: August 2023	Internal Audit Review
The semi-annual user access review has been performed in June 2023. **Updated Estimated Completion Date:** June 30, 2023	Through discussion with Management, we noted that the District requested that Oracle edit the canned role descriptions to be more descriptive of the capabilities each role possesses. However, Management stated that the vendor was unable to edit these out-of-the-box roles. Instead, the District's Information Technology Services Department created custom roles for the Finance Department, which include detailed descriptions of capabilities and access rights. RSM obtained a listing of the revised Oracle Finance roles and noted that each role description now includes details regarding view, edit, and management rights. Due to the recency of roles implemented, RSM recommends follow-up testing after the semi-annual user access review has been performed and the updated user access roles have been fully provisioned. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

6. Finance: Vendor File Management	Risk Rating: High	Status: Closed

Observation Summary

During our review of the disbursements process, we noted that the current vendor management process left the District exposed to operational, financial, and reputational risk through the following areas:

Verification of Vendor Identify: The Vendor Change Request form includes an identity verification process through the means of validating bank account information, but we noted that this form is not consistently used, and changes to vendor information may occur without verifying the legitimacy of the requestor. We also noted that the Department does not maintain a list of vendor representatives who are expressly authorized to request changes so the change request can be validated. Once a change is made to a vendor's information, Finance staff only sends confirmation to the requestor if they explicitly requested it. Additionally, an internal review of the change does not occur.

Audit Trail: A change log or edit history of all vendor file alterations is not maintained.

Recommendation Summary

We recommend that staff implement a comprehensive verification process for vendor file changes, in partnership with the Purchasing & Warehouse Services Department, which includes maintaining a list of authorized vendor representatives to make a change and confirming any changes with those authorized representatives through a formal vendor change application form, as well as a secondary review of all vendor file changes. Additionally, we recommend the Finance Department collaborate with Information Technology Services Department to enable an audit trail or log of vendor file changes including type of change made, by whom, and when.

Management's Action Plan

Response: IT will assist the Finance and Procurement teams with role access modification to ensure appropriate segregation of duties related to vendor files. An audit log for changes and edits of the vendor files has been enabled. Oracle's vendor portal is designed to allow vendors to manage their own account, including address and banking information. The vendor portal was not configured correctly to be able to place it in service. Purchasing is working with Oracle to enhance and configure the vendor portal to allow vendors to manager their own account. Purchasing has started to assume the full responsibility of maintaining the vendor management module which will allow for proper segregation of duties.

Responsible Party: Finance Director; ERP System Administrator

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

6. Finance: Vendor File Management (continued)
Internal Audit Review

RSM noted that the "audit log" of vendor changes within Oracle has been successfully enabled. Upon review of vendor changes recorded in the log, we noted that all changes were made by members of the Purchasing and Warehouse Department, and the duties have been properly segregated from the Finance Department.

RSM selected a sample of ten (10) vendor changes from the audit log and obtained view-only access to the Oracle environment to review supporting documents related to each change. Out of ten (10) samples, eight (8) did not have a completed updated vendor application uploaded to Oracle. While all samples did contain some level of supporting documentation (i.e., W-9 or Original Vendor Application), we noted that the documentation varied, and expectations related to what documentation is required to support vendor changes have not yet been defined. For example, Management stated that there is no expectation to obtain an updated vendor application form when processing immaterial changes, like punctuation in a vendor's name; however, this expectation is not formally defined in a procedural manual.

Additionally, we noted that a listing of authorized vendor representatives who may request changes to vendor profiles is not currently maintained. Management may choose to verify vendor requests through other means (i.e., verifying that the vendor contact requesting the change is the same individual listed on the W-9). However, documented procedures related to vetting the legitimacy of requests have not yet been established.

We recommend the standard operating procedures are enhanced to include guidance related to what documentation is required to support vendor profile changes. Immaterial changes, such as punctuation in a vendor name, may not require the same level of documentation as a change in Tax ID number. The written procedures should define what level of documentation is acceptable for various types of vendor changes. We also recommend including guidance related to how District staff should verify that the individual requesting the vendor change is an authorized, legitimate representative of the vendor's firm.

Further testing will be performed as part of follow-up procedures to the Purchasing Audit, which includes a comprehensive review; therefore, this observation is now closed for this audit.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

7. Finance: Review and Approval	Risk Rating: Low	Status: Closed

Observation Summary

During our review and testing of source documents, we noted a lack of review and approval in Finance-related processes. There are several other types of disbursements that do not utilize a purchase order, and whose process is less defined:

- **Batch-loaded invoices:** Because there are no associated POs for these disbursements, the function that signifies invoice approval is not available within Oracle. It is the responsibility of the end user department to review invoices for accuracy prior to sending to the Finance Department. However, documentation of this review does not exist.
- **Direct Pays:** Used when a PO is not available or not feasible. Through our testing, we noted three (3) of the fourteen (14) sampled Direct Pays did not include the required Direct Pay form, one (1) of the eleven (11) Direct Pay Forms reviewed was incomplete and did not include justification as to why a Direct Pay was necessary.
- **Credit Memos:** Of the two (2) credit memos tested, neither contained evidence of managerial approval.
- **Payment Preview Files:** One (1) of the sixty-two (62) sampled payment previews was not initialed, and five (5) payment previews could not be provided. We noted that these five (5) instances related to on-demand payments, and documentation of their review is not currently required by management. After the payment preview has been reviewed, the Finance Specialist prints the relevant batch of checks. Staff will then compare each printed check to the payment preview. However, the preview file does not contain check numbers to verify checks were printed correctly according to the system's numerical assignment and in sequential order.

Recommendation Summary

We recommend the Department build upon existing documents to streamline processes surrounding the disbursements which do not require POs and strengthen disbursement review processes. The Department should consider, at a minimum:

- Implementing a formal, documented review process for batch-loaded invoices
- Requiring a Direct Pay form process for all payments outside of the traditional PO function
- Revisit the process for documenting approving credit memos to ensure they are reviewed by management
- Revisit the process for documenting approval of payment previews and documenting the review of on-demand payments to incorporate a formalized review of every payment run.
- Perform a "check audit" of each batch of printed checks by selecting random samples throughout the check batch for accuracy.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

7.   Finance: Review and Approval (continued)

Management's Action Plan

Response:

- The Finance Department currently reviews all batch loaded invoices with the file received from end-user departments. The Finance Department will require evidence of the formal review performed by the end-user departments at the time the batch loaded invoices are sent to Finance.
- Finance and Purchasing are working together to minimize the use of Direct Pays. We have begun requiring all payments outside of the traditional PO process to include a Direct Pay form properly documented and authorized by the requestor.
- The Finance Department confirms validity of credit memos with the appropriate department before processing them. Clarification is requested on the format to document approval of the credit memos.
- The payment preview process is a critical control process that has been on-going. The process is documented and does include on-demand payment runs.
- A "check audit" of each batch of printed checks will be conducted by selecting random samples throughout the batch for accuracy.
- Finance will work with Maintenance to ensure that a tracking place is put in place to identify potential spikes. Maintenance is working with Purchasing and Financial Services to evaluate energy savings alternatives.

Responsible Party: Finance Director; Chief Financial Officer; Chief Operating Officer; Director of Purchasing & Warehouse Services; Maintenance & Operations Director

Estimated Completion Date: December 2021

Internal Audit Review

In FY22, RSM performed detailed testing over a sample of twenty (20) various disbursement types, including batch loaded invoices, direct pays, credit memos, and on-demand payments. Exceptions were noted only as it relates to credit memos. Because the only component of this observation that remained open related to credit memos, and all other areas had been tested and closed, the risk rating of this observation had been adjusted from "High" to "Low".

During FY23 Follow-Up, we obtained a sample of five (5) additional credit memos. We noted that all five (5) samples had documentation of the required managerial review, a signed check register, and a payment preview saved on file. As such, this observation is now closed.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

8. Finance: Monitoring Procedures	Risk Rating: Moderate	Status: Open

Observation Summary

While the Finance Department utilizes Oracle reports to identify invoices that have been received by Finance and entered the system, but not yet paid, we noted, however, there is no process to identify delays of invoice approval from user schools or departments. Through our testing, we noted that invoices are paid expediently once delivered to Finance, however, thirteen (13) of the sixty-two (62) sampled invoices had an average delay of 94 days in approval from the user department or school.

Recommendation Summary

We recommend the Finance Department consider creating processes to monitor invoice turnaround time. Example processes may include: Creating an Oracle entry for schools and departments to log the receipt date of invoices prior to approval; Requiring school or departments to date stamp invoices upon receipt; Requiring vendors to send a copy of an invoice directly to the Finance department; Running reports periodically through the Oracle system to determine which purchase orders have goods/services received but not paid and following up with the user department or school for invoice status.

Management's Action Plan

Response: When invoices are received in the Finance Department, they are paid timely. Without monitoring tools, it is difficult for Finance to know when invoices are received by other departments. It may be the responsibility of the Finance Department to pay invoices in a timely manner, but it is the responsibility of the departments who receive an invoice to process and remit it to Finance in a timely manner. The Finance Department will continue to notify departments about submitting invoices as soon as they are received to ensure payments are made in a timely manner. Ultimately, it is the district's responsibility that the vendors are paid in a timely manner and in accordance with contract/state statute and finance will continue to work with Oracle to identify automated methods for ensuring obligations are met.

Responsible Party: Finance Director; ERP Systems Administrator

Estimated Completion Date: June 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

8. Finance: Monitoring Procedures (continued)

Management's Response: October 2023	Internal Audit Review
We acknowledge the continued open status of this observation regarding the monitoring procedures for open POs and non-voiced receipts. While efforts to create a specialized report for tracking these have not yet been successful, we fully understand the importance of this task. The Finance Department is committed to closely collaborating with Information Technology Services to either successfully develop the required report or explore the implementation of a new Enterprise Resource Planning (ERP) system to address this issue. **Updated Estimated Completion Date:** June 2024	Management indicated that this observation is not ready for follow-up during this round (FY23). During FY22 Follow-Up, RSM noted that the District is in the process of creating controls to monitor open POs and non-invoiced receipts. We recommend that Purchasing & Warehouse Services, Financial Services, and Information Technology Services collaborate to address remediation of this observation, and to assign responsibility for performance of implemented monitoring procedures. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.