

Cache County School District
Internal Audit Report
Fiscal Years July 1, 2021 through June 30, 2022
and July 1, 2022 through June 30, 2023

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Introduction

The internal audit assignment was conducted in accordance with and related to agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The engagement included meetings with the audit committee, which consists of three members of the Cache County School District Board. These meetings were used to determine possible ways and areas in which the controls and operations could be improved to overcome weaknesses and support strengths of the district. The maintenance of effective control measures remains the responsibility of management and not that of the Internal Audit Department.

The Audit Committee of the District met to determine focus areas for testing and supporting designated goals regarding each area of concern. Management was included in the discussions and assisted the committee in accomplishment of the internal audit program.

This report has been prepared solely for the use of the Cache County School District Board of Education. We do not accept responsibility to any third party to whom the contents of this report may be disclosed or who at their own accord may decide to rely on it as the report has not been prepared for, and is not intended for, any other purpose.

Section A Executive Summary

1. Scope

We have conducted the audit assignment in terms of the approved internal audit plan. The areas covered by our members and staff during the fieldwork was related to the adopted Fiscal Policy Manual with respect to training of principals and financial secretaries; interviews of High School principals and financial secretaries; interviews with other district employees and student parents; tests of documentation and records; and identification of focus areas related to risk in related assets. The time periods covered by the audit are from July 1, 2021, to June 30, 2023. Audit procedures performed were designed to evaluate the adequacy, efficiency and effectiveness fo the district's governance principles, risk management, and control processes.

2. Sources of Information

Discussions were held with management and staff members. Audit work was conducted based on identified processes, questioning, observation, and verification of supporting documentation related to those processes.

It is an inherent limitation that accounting and internal controls systems cannot provide management with conclusive evidence that objectives are reached due to the following reasons:

- There is potential for human error due to carelessness, distraction, mistakes of judgement and misunderstanding of instructions.

- The possibility that a person responsible for exercising an internal control could abuse that responsibility.
- The possibility of circumventing internal controls through the collusion of a member of management or an employee inside or an outside entity.
- The possibility that the procedures may become inadequate due to changes in conditions, and compliance with the procedures may deteriorate.

3. Standards for Professional Practice

Our engagement was to provide professional services in connection with internal audit responsibilities and inspections related to procedures in conjunction to the safeguarding of client assets. These agreed-upon procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, the International Standards for the Professional Practice of Internal Auditing or the Governmental Auditing Standards issued by the Comptroller of the United States, and in accordance with the Utah State code.

4. Management Responsibilities

Management is responsible for the establishment and maintenance of effective systems of governance to:

- Promote appropriate ethics and values within the district;
- Ensure effective organizational performance management and accountability;
- Communicate risk and control information to appropriate areas in the district;
- Coordinate the activities and communication of information by staff, external and internal auditors, and management.

Management is further responsible for the establishment and maintenance of an effective system of internal control and risk management. The objectives of the system of internal control are, *inter alia*, to provide management with reasonable, but not absolute, assurance that:

- Objectives are achieved;
- Financial and operational information are reliable;
- Operations and programs are effective and efficient;
- Assets are safeguarded;
- Laws, regulations, policies, procedures and contracts are complied with;
- Risks are identified, appropriate risk responses selected, communicated and managed.

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognized that there are inherent limitations in any system of internal control – including management override, human error and circumventions through collusion. The prevention and detection of fraud is therefore management's responsibility.

Management representations made are considered to form part of our audit evidence. Management representations were accepted of face value and in good faith. We did not perform detailed procedures to verify the accuracy, validity or completeness of the representations.

5. Summary of Findings

During the two-year period of July 1, 2021, through June 30, 2023, the Internal Audit Department met with the Cache County School District Audit Committee regularly and obtained input, as well as reported to the Committee about work to date and summaries of issues observed.

The primary goal for that period related to Utah High School Activities. During the period we visited the four main high schools to select and test balances of the various clubs and sports activities maintained by each school. During the visits we selected samples of the expenditures from some of the activities to determine that the selected samples had proper documentation to support such expenditures. We also perused club and sports activity descriptions to determine comparability within the district and questioned the financial personnel about any negative balances reported during the fiscal years. Discussions were held with the Financial Secretaries and some of the Athletic Directors regarding the importance of safeguarding the assets, by authorization of all expenditures relating to the club and sports activities accounts. Comparability of similar clubs and sports account descriptions differed even though the purposes were the same, but those differences were deemed too immaterial.

A specific occurrence of a club issue at one high school arose separately, which was reviewed and reported on with an additional report attached to **Section B Detailed Internal Findings**. We performed interviews and evaluated the appropriateness of the actions of that school as explained in that separate report.

Other work performed during this two-year period overlapped into Administrative and Financial training sessions provided by the Business Department. This assisted many of the topics of concern within the district and we applaud the Administration's efforts in the training, as well as the format and creativity of the presentations. We also commend the Cache County School District Board of Education for attending at least one staff meeting at every school and district location to express appreciation and recognize employee service.

One additional area was tested through the selection of one grant that flows through to the School District. We selected a smaller grant that originates as federal funds but flows through the State of Utah Department of Health and Human Services dealing with substance abuse and mental health services. Information and documentation were obtained and reviewed to determine accuracy with standards provided for the use of those grant funds. All reporting to the State is in the format that the State is required to provide within their Federal Financial Report.

All recommended actions and summaries of observations have been discussed with the Audit Committee for consideration within the continued training of those areas of administration. Those areas are fiscal policies, procedures with regards to asset safeguards, reviewing use of funds with appropriate documentation to support such use, and working closely with external audit.

6. Disclaimer

Because this internal review was intended to evaluate rather than opine on the issues of focus, we do not express an opinion on governance, risk management and internal controls. However, our discussions and observations find that the Cache County School District appears adequate in all areas.

7. Conclusions

The issues raised in the detailed findings of this report should be considered in making improvements, but in no way be attributed to a lack of sufficient control measures. Comments by management will be evaluated during the next audit or a follow-up audit.

8. Appreciation

The Internal Audit team would like to thank management, staff members, students and volunteers for their cooperation during the audit.

Alan D. Allred
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Cache County School District