



CSIS California School Information Services

October 11, 2012

Alex Cherniss, Ed.D., Chief Business Officer
Los Angeles County Office of Education
9300 Imperial Highway
Downey, CA 90242

Dear Dr. Cherniss:

The purpose of this letter is to confirm the principal findings and recommendations identified by the Fiscal Crisis and Management Assistance Team (FCMAT) after meeting with district staff at the Inglewood Unified School District on June 12, 2012.

In May 2012, FCMAT and the county office entered into an agreement to conduct an AB 139 extraordinary audit of the Inglewood Unified School District and provide recommendations. Specifically, the study agreement states that FCMAT will complete the following scope of work:

1. The Los Angeles County Office of Education has requested the FCMAT Team to provide for the assignment of professionals to conduct an AB 139 Extraordinary Audit. Pursuant to Education Code Section 1241.5 (b),(c), the Superintendent of LACOE has reason to believe that fraud, misappropriation of funds or other illegal practices may have occurred and shall conduct a review of the Associated Student Body funds on behalf of the Inglewood Unified School District. The AB 139 Audit shall include Inglewood High School, Morningside High School and City Honors College Preparatory Charter High School. In addition to the authority granted under 1241.5 (c) and 47604.3, the county superintendent may conduct an investigation of the district and charter schools based on written complaints by parents or other information that justifies the review.

The primary focus of this review is to provide LACOE and the Inglewood Unified School District with reasonable assurances based on the testing performed that adequate management controls are in place regarding the district's reporting and monitoring of financial transactions and that fraud, misappropriation of funds or other illegal activities have not occurred. Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. The receipt of revenues and expenditure of ASB funds is generally a high risk audit area in which potential fraud issues such as fictitious employees or vendors, or misappropriation of assets including cash may be detected. Specific audit objectives will include evaluating the policies, procedures, and internal controls and transactions performed by the district related to the following:

FCMAT

Joel D. Montero, Chief Executive Officer

1300 17th Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • www.fcmat.org
Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools

The FCMAT Team will review all the revenues and expenditures related to the receipt of funds, transfer and/or disbursement of funds made by the district's Associated Student Body account for the current and two prior fiscal years and determine if fraud, misappropriation of funds or other illegal activities have occurred at Inglewood High School, Morningside High School and City Honors College Preparatory Charter High School.

The FCMAT Team will sample test data from the current and two prior fiscal years and include a review of the revenues and expenditures in the Associated Student Body accounts to determine if fraud, misappropriation of funds or other illegal activities have occurred. Testing associated with this review will be based upon sample selection and will not include the testing of the complete list of all transactions and records for this period. Sample testing and review results are intended to provide reasonable, but not absolute assurance as to the accuracy of the district's transactions and financial activity.

FCMAT conducted staff interviews at the district on June 12, 2012. During the visit, the team collected and reviewed documentation to determine whether fraud, misappropriation of funds or other illegal activities may have occurred regarding the review of Associated Study Body funds for the Inglewood Unified School District.

The following is a brief synopsis of the work conducted by the FCMAT Team:

The initial fieldwork and interviews with Inglewood High School staff revealed that the former ASB advisor conducted many cash-only transactions. The ASB advisor had been in this role for most of her 15 years of service as an English teacher at Inglewood High School.

Significant points for further examination included:

1. Cash collections from incoming senior students during the summer of 2011 for various levels of Senior Deal packages need to be confirmed as deposited funds in the appropriate bank account. Senior Deal packages varied from \$250 to \$400 depending on what functions and items students requested. All transactions were in cash and involved approximately 130 students.
2. Staff members complained to the school principal that money was missing and that they suspected the ASB advisor. Many employees reported that the ASB advisor showed them large amounts of cash that were in her purse while on campus.
3. The ASB clerk is not on duty during the summer months; therefore, the ASB advisor conducts all business transactions and has access to the ASB bank account. Several of the Senior Deal transactions occurred during the summer months while the regular bookkeeper was off duty.
4. The ASB advisor is not authorized to sign checks on the ASB account, although this may have occurred on many occasions whereby the signature is similar to that of the vice principal, who is authorized to sign on the account.
5. When the vice principal questioned the ASB advisor regarding the check signing and "making it look like my signature," she responded that she signed in her capacity as "activities."
6. When questioned by the principal about vendors not getting paid and calls from individuals that purchased candy from fund-raisers, the ASB advisor became very frustrated and nervous. She complained that she was stressed and wanted to leave her job near the end of 2011.

7. The Inglewood High School principal discovered that some checks she signed to vendors for overdue payments were later voided by a stop payment order issued by the ASB advisor at the bank. Vendors repeatedly called the school demanding payment, and subsequently the principal was faxed a copy of the stop payment order from one vendor proving that the stop payment order had been placed on the check.
8. The ASB clerk stated that she received several telephone calls from bill collectors for the ASB advisor.
9. The ASB clerk observed large amounts of cash in possession of the ASB advisor. The ASB advisor often opened up her purse when the clerk told her that there was not enough money to pay bills. The ASB advisor would ask how much was needed and pull the requested amount of cash from her purse and give it to the clerk.
10. The clerk stated that she wrote separate receipts for these cash payments. The receipts are in the ASB office. The ASB clerk has agreed to copy these receipts for FCMAT.

Recommendations:

1. ASB accounts are a high-risk area for fraud, misappropriation of funds or other illegal activities. The district should centralize the ASB accounting function at the business office until professional development training has been completed at the high school sites. There are benefits to centralizing the ASB accounting that include the following:
 - School sites may have difficulty in setting up the proper internal controls because of their limited size, lack of resources for personnel, and often unmonitored student body accounts. As with the district's financial activities, the business office can ensure that proper internal controls are in place to safeguard cash, prepare timely deposits, properly authorize disbursements and reconcile accounts.
 - Consolidating the ASB accounting can be an important step toward responding to audit findings if augmented with clearly written policies and procedures, professional development and staff training, reconciliations of past findings, and the assistance of the district's external auditors.
2. Based on the interviews and failure to provide documentation requested by FCMAT to date, FCMAT recommends termination of the AB 139 Extraordinary Audit. FCMAT also recommends that the district forward a copy of this letter to the Los Angeles County District Attorney's Office for further investigation. The District Attorney's Office has the legal authority to subpoena bank records of the alleged perpetrator and to ascertain whether sufficient records are available to determine if fraud, misappropriation of cash assets or other illegal activities may have occurred.

If you have any questions or need additional information, please contact me at (661) 706-0561. FCMAT appreciates the cooperation provided by the Los Angeles County Office of Education and the Inglewood Unified School District administrative staff involved in this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony L. Bridges". The signature is fluid and cursive, with the first name "Anthony" and last name "Bridges" clearly distinguishable.

Anthony L. Bridges, CFE
Deputy Executive Officer

Cc: Joel Montero, FCMAT Chief Executive Officer
Debi Deal, FCMAT Fiscal Intervention Specialist
Arturo Delgado, Ed.D., LACOE Superintendent
Marlene Dunn, LACOE Director, Business Advisory Services
Kent Taylor, Inglewood USD State Administrator
Glenston Thompson, Inglewood USD Chief Operations Officer
Eric Hall, LACOE Fiscal Advisor