



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

MANAGEMENT LETTER

To Management
San Mateo Union High School District
San Mateo, California

We have recently completed the audit of the financial statements of San Mateo Union High School District (the "District") and have issued our report thereon dated November 23, 2020. In planning and performing our audit of your financial statements for period ending June 30, 2020, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Although our audit was not designed to provide assurance on the internal control structure and its operation, we noted certain matters that we are submitting for your consideration for the improvement of the District's accounting and financial reporting functions. We will review the status of these comments during our next audit engagement. This letter does not affect our report dated November 23, 2020 on the financial statements of the District.

Current Year Recommendations

2020-2: Accounts Payable – Timing of Payments

The District requires sites to submit invoices for costs incurred throughout the fiscal year. We identified several expenditures from May through June 2020 totaling approximately \$36,000 that were not submitted until September 2020. As a result of the late submission of expenditures to the District's office, these expenditures incurred in the 2019-2020 fiscal year were unable to be recorded by the District until the 2020-2021 fiscal year.

Recommendation:

The District should implement additional guidelines and procedures to ensure that all sites submit expenditure support on a timely basis. The District should review site expenditure monthly and compare them to expected expenditures, investigating any discrepancies. When all information is obtained, an acknowledgement should be obtained from the site that all expenditures for the month have been submitted.

Management Response:

To increase the internal control and integrity of the financial reports the District will plan to implement the following with the responsible sites and department's financial person(s):

- Must review the expenditure submissions to ensure that they are completed on a timely basis
- Ensure that expenditures are reviewed and compared to expected expenditures
- Must investigate any discrepancies
- Devise a system acknowledging that all expenditures for the month have been submitted

The majority of the items in question stem from paying for prior year activity with current year dollars and having no estimated payables set up during the closing period.

Not all sites and departments are on the watch list and the majority of accounting staff are following good accounting practices. We will be looking at rolling out tighter controls going forward to comply with the recommendations.

Status of Prior Year Recommendations

2019-1 New Hire Process

Finding:

A teacher hired at Hillsdale High School for the spring semester of the 2015/16 school year was placed on the incorrect salary schedule. This occurred because the employee did not provide previous employment information and the District did not follow up before placing the employee on the salary schedule. When the employee questioned his placement on the salary schedule in the current fiscal year, the District was able to verify previous employment and determined the employee should have been at a higher step on the salary schedule for 2016 through the current year. The estimated underpayment of salary to this employee was approximately \$32,000. An assistant principal and principal were also hired at other schools within the district and placed on the incorrect salary schedule. In one case the employee preparing the contract entered the wrong amount while preparing the contract, while in the other case the new principal was erroneously placed at this same position on the step schedule as the predecessor principal. The estimated combined overpayment of these two employees is \$6,220. In addition to the above, there was an underpayment of all Student Support Coordinators, as an old version of the step schedule was used when preparing the contracts.

Recommendation:

The District should have a checklist of required items that must be completed prior to a new employee starting. In this case, if the District does not receive previous employment history, then the employee would not start until the requisite information is provided. When all information is obtained the personnel department should review and approve the new employee's placement on the salary schedule. This information should then be reviewed and signed by the employee.

Status:

Implemented

2017-1 Procurement Card Purchases

The District utilizes the State of California CAL-Card Program for credit purchases and issues cards to certain individuals within the District. The District currently has a policy and requires the individual to sign a procurement cardholder agreement.

Excerpts from the current procurement card policy include:

“Use of any type of procurement card does not relieve the cardholder and/or designated employee from adherence to District purchasing policies and procedures.”

“In all cases, the Cardholder and/or designated employee will require the vendor to itemize the receipt with the following information:

Vendor name and address

Description of items purchased

Quantity

Itemized pricing

Sales tax (if applicable)

Shipping charges (if applicable)

Grand total of order”

Current purchasing policies and procedures require purchases to be pre-approved, however we noted the majority of credit card purchases have no documented pre-approval with the exception of the card used by the Deputy Superintendent of Business Services. In addition, many of the receipts do not provide an adequate description of the purchase. For meal receipts, the purchaser does not always obtain a detailed receipt as required nor are the meal participants always listed. One group meal for \$1,097.09, related to a conference, only included the conference name and total amount paid.

We did note that all receipts are reconciled to the monthly statements and approved for payment.

Recommendation:

Purchasing cards are not meant to circumvent the procurement process of the District. Authorization for purchases is one of the foundations of good internal controls over purchasing. We recommend that all purchasing card holders utilize the pre-authorization form used by the Deputy Superintendent of Business Services to ensure all purchases are pre-approved.

Appropriate documentation should be included on all receipts to comply with District policy and to ensure that purchases are for legitimate District business and are allowable. Meal receipts require details of meals ordered and additional documentation should include the business purpose of the meal and list the participants.

Management Response:

The Purchasing Manager will prepare a training with the specific departments to review the procedures and respond to any questions. Guidelines will be provided to all credit card holders and the administrative assistants.

The training is not limited to the following:

- Determining what should be used the department or the district credit card.
- Proper authorization for approval is required, the same as for any purchase.

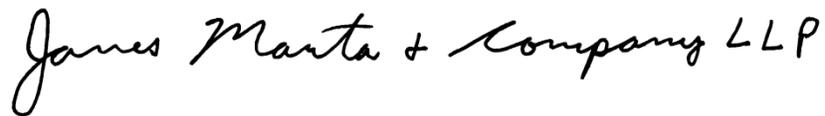
- Using the Pre-authorization form.

Status:

Implemented

We believe that the implementation of these recommendations will provide the District with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
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