IOWA CITY COMMUNITY SCHOOL DISTRICT
All In for All Kids

Educational Services Center
2255 N Dubuque Rd • Iowa City, IA 52245
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**To:** Board of Directors
**Through:** Matt Degner, Superintendent
**From:** Pat Moore, CFO

**Summary of agenda item:** Action plan in response to Findings Related to Financial & Compliance Report June 30, 2024

## MATERIAL WEAKNESSES

*A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.*

### *2024-001 Insufficient Segregation of Duties - Payroll Cycle*

*District payroll staff use ASANA for payroll processing tasks; tasks are identified with a due date for each piece of the payroll cycle. Calendars clearly outlined with due dates of reports, payments, transfers, etc. Duties segregated between three staff members to ensure efficient payroll cycles. Additionally, the District controller is also involved in approving the payroll file.*

### *2024-002 Insufficient Segregation of Duties - Cash Disbursement*

*The district has a multi-step approval for the requisition process. Discussion and learning opportunities with all staff on appropriate codes and processes/procedures for any disbursements will be an ongoing process.*

### *2024-003 Insufficient Segregation of Duties - Receipt Process (Buildings)*

*Developing a training document to be shared with all staff which provides the overview of funds, revenue and expenditure codes available for use and the appropriate use of those account codes, as well as continued check in the processes/procedures to ensure they are followed and, additionally, meetings with staff for feedback to continually improve the processes. Additionally, I would like to have this available on an internal site that staff could refer to as needed.*

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***2024-004 Insufficient Reconciling & Monitoring Activities - Cash Accounts & Certificates of Deposit***

*The district has online access to all bank accounts. Business Office employees will be cross-trained in each area of finance. Cash reconciliation and receipt processes will continue to be enhanced. Once all processes/procedures are in place and functioning, the intent is that the cash reconciliation and receipting is daily - no lags - real time. Any and all investments of the District will be (and now are) shown in the finance software. Employees will continue to receive regular updates on "how to's" and improve processes/procedures. The business office is currently working in FY25 for audit preparation, FY26, and starting 7/1 into FY27 - working in multiple years takes a considerable amount of staff time - be patient, as this is a work in progress.*

***2024–005 Improper Identification & Adjustment of Funds***

*District personnel did not properly identify and adjust funds for adjustments required for trial balances to be reported in accordance with applicable accounting standards and principles. Appropriate entries were not processed at the fiscal year end which caused significant time delays not only during filing of reports but also time spent by the auditors. The business office has 2 Certified Public Accountants, two School Business Officials (one being the aforementioned CPA) and the other CPA will be starting the SBO program. Shared doc access between business office staff regarding financial related transactions (ex: journal entries). Multiple layers of segregation from the journal entry codes, to the person that approves the codes, to the person who enters the journal entry(ies) to the person that posts them. Processes, as others, will continue to be enhanced to ensure efficiency and accuracy in fiscal year-end processes/reporting. As with all processes/procedures this is a work in progress.*

## INSTANCE OF NONCOMPLIANCE

***2024-006 2023 and 2024 Single Audits Not Filed Timely***

*The District did not complete the June 30, 2023 and 2024 single audit within 9 months of the applicable June 30 year-end. The District is on track to file the FY24 audit with the State this month (June 2026) and, moving forward, the FY25 audit filed November 2026 and the FY26 audit current and filed by the required deadline of March 30, 2027.*

***2024-007 Student Activity Fund - Deficit Fund Balance***

*COO, Curt Pratt, and CFO presented an overview of the Activity Fund (with financials) to the Board in June 2026 and met with ADs and Building Principals on June 17, 2026 to discuss the information presented to the Board, review DE guidance, modifications to processes & procedures, booster club & foundation discussion and next steps. Next meeting is set for mid-July 2026 between the Assistant Controller, business office employees, ADs and secretaries for professional development - including appropriate coding of revenue and expenditures (this would include Google docs and/or Sheets with specific building codes for reference). Continued discussion with ADs and Principals moving forward. This will be an ongoing process and discussion.*

***2024-008 Interfund Payables/Receivables not Authorized by formal Board Resolution***

*The district had interfund receivables/payables not authorized by Board resolution before they occurred and were not repaid by October 1 of the fiscal year following the year they were made; additionally, interest on the unpaid balance must be paid on funds borrowed. Moving forward, any financial transactions requiring Board resolution will be provided to the Board for discussion and approval prior to occurrence.*

## MATERIAL WEAKNESS

**2024-009 Lacked Adequate Processes - Federal Programs**

*The District did not have adequate processes to ensure approval and documentation of disbursements charged to the federal program. All invoices are signed off by Department Heads or in the finance system through requisition process approval indicating appropriate codes are used and applicable to federal programs. Intent is to improve the requisition process in which requisitions are used for majority of District purchases (exception would be utilities, payroll). Using the finance system to encumber funds not only provides efficiency but also ensures program expenditures are coded appropriately and as allowed as they will have been through a multi-layer approval process. Professional development, again, will assist in coding expenditures appropriately in accordance with State and/or Federal regulations, as well as individual fund or program regulations. Once policies and processes are firmly in place we will continue to monitor and enhance them.*

***2024-010 Lacked Process to Identify Federal Capital Assets***

*The District did not identify two vehicle purchases with ESF funds exceeding $5K capitalization for District records and did not obtain prior approval from the State of Iowa for the purchase. Additionally, the District did not have an inventory process to ensure federal assets were properly identified and documented. The district will be going live with the fixed asset module in SUI during FY27. The software will provide better record keeping, as well as accurate financial reporting, including depreciation schedules. As this is a change in procedure, the processes will be monitored as far as adds of assets, removal of assets, depreciation, appropriate program allocations, etc.*

***2024-011 Lacked Process to Document Special Ed High Cost Claims***

*The district lacked processes to document special education high cost claims submitted to the Iowa Department of Education for reimbursement. The district had significant turnover in the business office and in the Special Education department which led to lack of follow through of processes and procedures and, in this instance, not being able*

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*to provide information for verification of a claims process. Moving forward, District staff will have all information available that was used for claims processing. Professional development will need to occur in regards to usable policies and procedures regarding special education expenditures - not only for coding, but also for compliance with State/Federal/Local legal requirements.*

## SIGNIFICANT DEFICIENCY

*A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

***2024-012 Lacks Process for Report Preparation & Review***

*Reports, in many instances, were prepared and submitted by the same employee with no independent review prior to the submission. Although quarterly reports were submitted as required there was no documentation of the preparer nor documentation of a review of the work performed. Multiple district employees are now involved in report preparation and review. Formal review will occur from those entering the data to documentation of the employee reviewing the work. Once this process/procedure is fully implemented it will continue to be monitored and enhanced, as need be.*

## NON-COMPLIANCE - MATERIAL

***2024-013 Unallowable Expenditures Charged to ESF Programs***

*The district charged costs to ESF Program (COVID) that were not allowed. Professional development will be offered regarding any one-time funding that the District has and/or will receive. This will ensure all parties understand the parameters of allowed expenditures vs unallowed expenditures. All those involved with the funds will be up-to-date on the program requirements, what the District has filed for anticipated expenditures and stay within the confines of State/Federal/Local regulations.*

***2024-014 Unable to Provide Program Documentation***

*Similar comments as in 2024-011*

## FINDINGS RELATING TO STATUTORY REPORTING

***IV-A-24 Certified Budget Exceeded***

*The district exceeded the certified budget in the support function and the other function. Monitoring will take place on a monthly basis in regards to certified annual budget functional expenditures (instructional, support services, non-instructional and other). Budget amendments, when needed, must and will occur prior to the District exceeding any of the four functional areas. Lastly, all budget amendments must have a public hearing set and formal Board approval of such action to amend the budget - deadline May 31st annually (beyond the date can be contested).*

***IV-H-24 Certified Enrollment Variances***

*Variances noted to the Department of Education in October 2023. The district will review processes/procedures with everyone involved in the certified enrollment process to ensure accuracy prior to being submitted to the Department of Education. Any variances flow through the aid/levy process only after the annual audit confirms the variance and reports to the State. Based on the variances, this can have a significant impact on the aid/levy (budget).*

***IV-I-24 Supplementary Weighting Variances***

*Relates to discussion on IV-H-24.*

***IV-J-24 District Lacked a Formal Depository Resolution***

*CFO will provide a formal depository resolution on an annual basis stating the names of the financial institutions and specifying maximum amount that may be kept on deposit at each depository.*

***IV-N-24 509A Certificate of Compliance Not Filed Timely***

*The district has filed 2024 and 2025. 2026 and years following will be filed as required by Chapter 509A.15. Turnover in the business office created issues.*