



Management and the Board of Directors
 School District No. 509J
 Jefferson County, Oregon

While planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County School District No. 509J (the District), as of and for the year ended June 30, 2018, we noted certain immaterial matters. These matters are summarized in this letter.

Student body accounting – Madras High School

As noted in previous audits, Madras High School was substantially non-compliant with the District’s policies for the receipt and disbursement of funds and monitoring compliance. As part of our audit procedures, we reviewed the results of internal audits for Madras High School performed on February 14, 2018, March 22, 2018 and April 20, 2018. Results are reported to the bookkeeper and Principal in writing, and they are required to acknowledge the deficiencies by signing the report. Despite this notification and details of recommended action for improvement, we found no improvement was made from the prior year.

We noted the following internal control deficiencies for Madras High School student body accounting:

Reported Condition / Finding	District Requirement	Potential Result
Revenues were not posted to the system in a timely manner.	Daily posting of cash receipts to the system.	
Bank deposits not made timely.	Bank deposits must be made daily when cash on hand exceeds \$750.	Cash could be stolen or misplaced when it is left on site and not secured in the bank.
Fundraiser forms not being consistently used.	Activities Coordinator should prepare and monitor fundraiser forms.	Without tracking of fundraisers, cash could be solicited from the community without the school’s knowledge or permission and not be used for student activities.
Proper documentation of expenditures is not consistently maintained. Purchase orders are not being used, meaning most spending has not been authorized by the proper person.	Documentation obtained for all expenditures. No disbursement may be made unless authorized by someone other than the bookkeeper.	Disbursements may be made for unauthorized purposes or be unrelated to student activity. Disbursements could be made for personal expenses.

Monthly reports are not being provided to Advisors.	Formal reports of cash raised and disbursed are to be provided monthly to all advisors.	If advisors are not provided with an opportunity to monitor their reports, embezzlement of funds could occur and would not be discovered.
Use of cash raised from fundraisers to pay for disbursements.	Cash received from fundraisers be deposited intact and in full into the bank and credit given to the student activity account.	When cash is commingled for purposes of receipts and disbursements, it is not possible to determine whether all raised funds were credited to the student activity account.
Donations being tracked improperly in student body checking accounts.	Donations over \$500 must be turned into the District in a timely manner for proper accounting, reporting and monitoring.	Donations from community members may not be acknowledged or spent in accordance with the donor's stated wishes.

With regard to the internal audit findings, we took particular note of (1) the number of policy violations, (2) the nature of the violations and (3) the lack of any noticeable improvement from the prior year despite multiple communications to the Principal and bookkeeper by the finance office. The District's policies over student body accounting are intended to provide a level of control over the funds to mitigate the risk of fraud and embezzlement. When schools fail to follow these policies, the potential for fraud increases substantially.

We recommend the accounting for student activity at Madras High School be moved to the District finance office to mitigate the risk of embezzlement and fraud within the student activities at Madras High School.

The matters included in this letter are not considered to be a significant deficiency or material weakness in internal control. We identified these issues during our audit fieldwork and as a result of our risk assessment procedures and not all deficiencies or weaknesses may have been identified.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SGA CPAs & Consultants, LLP

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September 17, 2018