

**Los Angeles Unified School District
Office of the Inspector General**

**Performance Audit
of
Imprest Fund
Operations and Financial Controls**

**OA 25-1472
December 4, 2025**

**Sue Stengel
Inspector General**





Los Angeles Unified School District Office of the Inspector General

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December 4, 2025

Mr. Saman Bravo-Karimi, Chief Financial Officer
Finance Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 26th Floor, Los Angeles, CA 90017

RE: Audit of Imprest Fund Operations and Financial Controls

Dear Mr. Bravo-Karimi:

Enclosed is the final report on our performance audit of Imprest Fund Operations and Financial Controls.

Please feel free to contact our office if you have any questions or need additional information.

Sincerely,

Mark H. Pearson

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Attachment

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Performance Audit of Imprest Fund Operations and Financial Controls

EXECUTIVE SUMMARY

The Los Angeles Unified School District (District) operated imprest fund accounts—local site checking accounts that serve as an additional method for procuring materials when vendors do not accept purchase orders or P-Cards. These accounts were maintained by Local District administrators, principals, and other designated officials at approximately 630 school sites and the Facilities Services Division (FSD), with total disbursements of approximately \$16.1 million during fiscal years 2023 and 2024. Imprest funds are typically used for food items, school bus services, field trip expenses, general supplies, instructional materials, club activities, and other miscellaneous purchases.

The District has phased out all school imprest fund accounts as of October 31, 2025, as part of its modernization of school and office purchases. All purchases previously made through imprest fund accounts are now transitioning to the District's enhanced P-Card system, which includes expanded purchasing capabilities such as food, beverages, student incentives, and higher monthly spending limits.

With this transition decision, the Office of the Inspector General (OIG) conducted this performance audit to examine imprest fund operations, identify control weaknesses, and capture lessons learned to ensure that identified issues do not migrate to the enhanced P-Card system. The audit covered transactions for fiscal years 2023 and 2024 and included both school site imprest funds and the FSD's Revolving Account. The findings provide insights for strengthening internal controls as the District implements its modernized purchasing approach.

Conclusions

Authorization, Support, and Allowability of Imprest Fund Disbursements - The audit found that 92% of imprest fund disbursements were compliant with District policies. Our review of 495 transactions found that imprest fund disbursements were generally properly authorized, adequately supported, and allowable under District policy, with all FSD transactions fully compliant and 92% of school transactions compliant. The most common issues were prohibited purchases (15 transactions) and missing administrator approvals (18 transactions).

Imprest Fund Reconciliation Accuracy and Completeness - The audit found that 72% of imprest fund reconciliations were compliant with District requirements, with more compliance challenges at school sites (72% compliant) compared to FSD operations (92% compliant). The primary issues were mathematical and procedural errors in reconciliation preparation (78 instances), missing reconciliations (18 instances), and failure to submit reconciliations as required (32 instances).

Other Matters - The audit also identified several practices that merit management attention, including online purchases delivered to non-school addresses and inadequate segregation of duties in imprest fund operations.

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Recommendations

Following the closure of the Imprest Fund program on October 31, 2025, these recommendations focus on recovery actions in response to the pertinent findings and on continued monitoring of the current purchasing activities conducted through the P-Card Program:

1. Recover Two Imprest Fund Transactions Totaling \$749 for Unallowable Expenses Unrelated to School Activities and Duplicate Reimbursement issued to School Staff.
2. Continue and Strengthen Monitoring of P-Card Transactions.

INTRODUCTION

During fiscal years (FY) 2023 and 2024, the District's schools operated approximately 630 imprest funds, with total disbursements amounting to \$7.3 million and \$7.7 million for those two fiscal years, respectively. Additionally, FSD maintains a Revolving Account to promptly pay public utilities and government agencies, thereby preventing project schedule delays. The total disbursement under the Revolving Account was approximately \$596,000 in FY 2023 and \$455,000 in FY 2024.

The following are the typical uses of imprest funds:

School site imprest funds: Food items for advisory committee expenses or student incentives, school bus services for field trips, field trip expenses, general supplies, and instructional materials.

FSD Revolving Account: Public utilities and government agency fees related to construction projects.

The District's Reference Guide, REF-1706.4,¹ provides information and guidance on the appropriate use of Imprest Funds.

Schools reported that imprest funds were used when:

- Vendors do not accept P-Cards or purchase orders
- Purchases are restricted under P-Card usage (e.g., food purchases, spending limits)
- It is inconvenient for P-Card holders to make store purchases
- Time constraints (such as emergencies) necessitate immediate payment

SCOPE AND OBJECTIVE

The objectives of this audit were to:

1. Verify that imprest fund disbursements were properly authorized, adequately supported, and allowable in accordance with the District's policies and procedures.

¹ [REF 1706 4 IMPREST FUNDS 091515 FINAL.pdf](#)

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2. Assess the accuracy and completeness of the imprest fund and bank account reconciliations.

The audit scope included both the school site Imprest Funds and FSD's Revolving Account for the period covering fiscal years 2023 and 2024.

METHODOLOGY

To achieve the audit objectives, the following procedures were performed:

Objective 1: Authorization, Support, and Allowability of Imprest Fund Disbursements

- Selected a sample of imprest fund disbursements from 23 schools (see Appendix A) and verified that the expenditures complied with authorized uses and excluded prohibited items.
- Examined the corresponding imprest fund claim forms for evidence of proper approval.
- Reviewed supporting documentation for sampled disbursements to confirm the accuracy of claimed amounts and the appropriateness of the recorded expense accounts.

Objective 2: Reconciliation Accuracy and Completeness

- Obtained and reviewed a sample of monthly bank account reconciliations to verify that they were completed timely and accurately in accordance with District requirements.
- Confirmed with Local District Fiscal Specialists, Coordinating Financial Managers, and Accounts Payable staff that the selected schools submitted their reconciliations as required.

GAGAS COMPLIANCE STATEMENT

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

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RESULTS OF AUDIT

Objective 1: Authorization, Support, and Allowability of Imprest Fund Disbursements

92% of imprest fund transactions tested were compliant with the District's imprest fund policy.

Our review of 495 imprest fund transactions (460 from schools, consisting of 20 from each of the 23 schools sampled, plus 35 from FSD's Revolving Account) found that imprest fund disbursements were generally:

- ✓ Properly authorized
- ✓ Adequately supported
- ✓ Allowable under District policy

456 of 495 total transactions (92%) were fully compliant; 39 (8%) contained at least one exception.

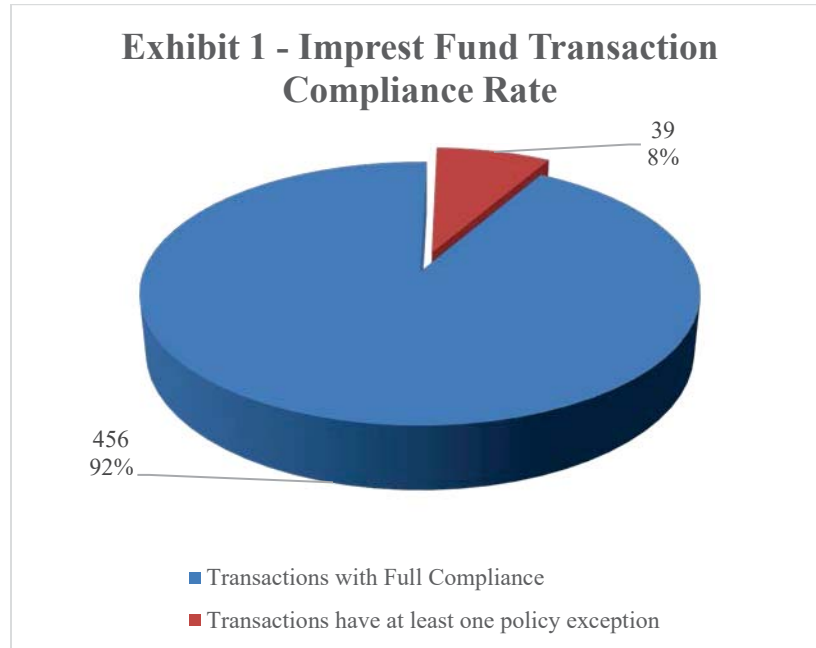
- FSD Revolving Account Disbursements: 35 tested; all compliant (100%).
- School Imprest Fund Disbursements: 460 tested; 421 compliant; 39 transactions (8.5%) had one or more exceptions.

The following table summarizes the exceptions noted from the school imprest fund transactions:

Exception	Count	Error Rate
Noncompliant or prohibited purchases	15	3.3%
Imprest fund checks issued without documentation of fund administrator approval	18	3.9%
Insufficient supporting documentation	5	1.1%
Incorrect expense coding	4	0.9%
Duplicated reimbursement	1	0.2%
Single item over the \$1,000 limit	1	0.2%
No approval in SAP	1	0.2%
Over-Replenishment due to data entry error	1	0.2%

Exhibit 1 illustrates the overall compliance rate for the 495 school-site transactions. Of these, 456 (92%) were fully compliant and 39 (8%) contained at least one exception.

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The findings that follow explain the specific control weaknesses underlying the 39 non-compliant transactions.

Detailed Findings

The following findings detail each category of exception identified during our review, including the specific policy requirements, observed conditions, root causes, and recommended corrective actions.

Finding No. 1 - Noncompliant or Prohibited Purchases

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) lists specific disbursements that are not allowable from a school-site Imprest Fund. Section VII-B prohibits, among other things:

- Food or refreshments other than those tied to overnight student travel.
- Rental of equipment or facilities for periods longer than 30 days.
- Graduation, prom, or other commencement expenses.
- Contributions, donations, or auction purchases that benefit outside organizations.
- Alterations or repairs to District facilities or grounds.
- Gifts, giveaways, or promotional items.

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Condition

We tested a sample of 460 imprest fund transactions totaling \$359,924 across 23 schools. The sample represented 22.2% of the 23 schools' total imprest fund expenditures (\$1,621,115) and 2.4% of the District schools' total imprest fund expenditures of \$15,087,659 across fiscal years 2023-2024. We identified 15 transactions totaling \$13,719 (3.3% error rate by transaction count, 3.8% by dollar value) across eight schools that violated these rules:

- **Unallowable food purchases** (four transactions): included food for professional development events, student incentives paid with the general funds, and lunch during non-overnight field trips.
- **Long-term equipment rentals** (four transactions): One school used the imprest funds for extended equipment leases.
- **Graduation-related costs** (three transactions): two schools used the imprest fund to pay for graduation expenses.
- **Inappropriate donations and auction purchases** (one transaction): one school reimbursed its staff for a \$500 donation, processing fee, and two auction purchases at a non-District-related event.
- **Alterations/repairs to the school facility** (two transactions): one school used the imprest fund to pay for painting a section of the school's wall.
- **Promotional gifts** (one transaction): one school used the imprest fund to purchase gifts to be given away at the school recruitment event.

Cause

Our interviews with site staff revealed multiple contributing factors, including vendors' reluctance to accept purchase orders for small amounts, limited familiarity with specific policy restrictions, and insufficient review of expense allowability prior to purchase.

Effect

The use of Imprest Funds for prohibited purchases sidesteps the District's normal purchasing controls. In addition, according to District policy (REF-1706.4), the Imprest Fund administrator "will be personally liable" for unauthorized expenditures and must reimburse the District for any improper expenditures identified through audit.

If the 3.8% error rate were representative of all transactions at the 23 schools tested, prohibited purchases could total approximately \$61,600. If similar patterns exist across all district schools, the potential impact could approach \$573,000 district-wide.

Most of the goods and services could have been acquired through purchase orders or P-Cards, both of which apply dollar limits, commodity blocks, and supervisor approvals up front.

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The variety of prohibited purchases across multiple schools indicates areas where enhanced training and guidance could improve compliance with District policy requirements.

Finding No. 2 - Imprest Fund Checks Issued Without Documentation of Fund Administrator Approval

Criteria

Each school has implemented Check Request Forms as an internal control mechanism to document administrator approval for imprest fund disbursements. These school-designed forms require completion and administrative sign-off prior to payment to ensure proper authorization and oversight of school-site expenditures.

Condition

During our testing of 460 school imprest fund transactions across 23 schools, we identified 18 imprest fund disbursements (3.9% error rate) from four schools that were issued either without completed request forms or without administrator approval signatures on the request forms. The checks were processed and paid despite lacking the required documentation to demonstrate proper authorization.

School	Allowable Purchases	Prohibited Purchases	Allowable Items Purchases	Prohibited Item Purchased
South Gate MS	5	0	Bus service for the field trip, T-Shirts	n/a
Dodson MS	9	1	General supplies, instructional material, and field trip tickets,	Donation (See Finding No. 1)
Pio Pico MS	2	0	General supplies (Scripps National Spelling Bee) and food for the Advisory Committee	n/a
Mark Twain MS	1	0	General supplies	n/a
Total	17	1		

Cause

Inadequate enforcement of existing approval procedures and insufficient oversight of documentation requirements at the school level.

Effect

Failure to document internal approval weakens oversight and increases the risk of unauthorized or inappropriate expenditures. Without proper documentation, it is difficult to verify that disbursements

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were reviewed and approved by appropriate personnel before payment, reducing accountability and auditability of school-site spending decisions.

Finding No. 3 - Insufficient Supporting Documentation

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) requires that "an original invoice or receipt must be obtained when the purchase is made. Upon issuance of the Imprest-Fund check, the fund administrator must ensure the original document is marked 'PAID' to prevent it from being re-used for another reimbursement."

Condition

During our testing of 460 school imprest fund transactions across 23 schools, we identified four transactions (0.9% error rate) that did not meet documentation standards:

- **No documentation at all** – \$108 screen protector and \$438 speaker.
- **Credit-card statement only** – \$3,892 restaurant expense; no restaurant receipt was provided.
- **Receipt lacked detail** – \$1,450 robotics-storage metal box (also cited in Finding 6).

Cause

The documentation gaps stemmed from over-reliance on principal approval and weak record retention. For the \$1,450 robotics-storage box, the School Administrative Assistant processed the claim based solely on the Principal's sign-off despite a non-itemized receipt. For the remaining four items, original invoices could not be located; the new Senior Financial Manager confirmed the records were not uploaded or filed, leaving the required original, itemized receipts unavailable for audit.

Effect

Missing itemized, original receipts prevent verification of what was purchased, price reasonableness, and whether the item was already reimbursed; this elevates the risk of duplicate or unallowable payments going undetected and erodes the reliability of financial reporting.

According to District policy (REF-1706.4), the Imprest Fund administrator is personally liable for unauthorized expenditures and must reimburse the District for any improper expenditures identified through audit.

Finding No. 4 - Incorrect Expense Coding

Criteria

District accounting policy and standard governmental accounting practice require that expenditures be accurately classified and recorded using the appropriate general ledger account codes that best reflect the nature and purpose of the cost so financial reports and budget controls are reliable and compliant.

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Condition

Four school-site disbursements (0.9% error rate) were posted to incorrect general ledger (G/L) accounts in SAP:

- Food for a Parent Center meeting was correctly coded as "General Supplies" (430002) on the Request Form but was incorrectly entered in SAP as "Maintenance/Operations – Supplies" (430003)
- Two painting-project expenses were incorrectly coded (on the Request Forms and in SAP) to the "General Supplies" account instead of to the "Maintenance of Facilities" account.
- Refreshments for a 75th School Day event were incorrectly coded (on the Request Forms and in SAP) under "Advisory Committee Expenses" instead of "General Supplies."

In all four cases, the errors were not identified during the Principal/Fund Administrator's review.

Cause

The errors resulted from breakdowns in the District's multi-layered control process:

- Initial coding mistakes on site forms (insufficient familiarity with object codes).
- Data-entry error (one form's correct code was keyed incorrectly into SAP).
- Inadequate supervisory review—approvers did not question mismatched codes.

Effect

Miscoding distorts reports and budgets, risks noncompliance with funding-source rules, and weakens spend analytics used for decision-making.

Finding No. 5 – Duplicate Reimbursement

Criteria

According to the District's Imprest Fund Reference Guide REF-1706.4, "An original invoice or receipt must be obtained when the purchase is made. Upon issuance of the Imprest Fund check, the fund administrator must ensure that the original invoice or receipt is marked "PAID" to prevent the chance for it to be re-used for another reimbursement."

Furthermore, as custodian of the Imprest Fund, the administrator has the fiduciary responsibility of ensuring that expenditures charged to the Imprest Fund are in compliance with District policies.

In addition, generally accepted accounting principles and internal control standards require organizations to maintain adequate safeguards to prevent duplicate payments, including:

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- Systematic tracking and documentation of all disbursements
- Proper documentation controls with clear marking of paid invoices
- Multiple verification steps to ensure each expense is reimbursed only once

Condition

In our sample of 460 school imprest fund transactions, we found one case (0.2% error rate) in which the school principal was reimbursed twice for the same \$234 purchase of tennis tournament trophies. The second check was issued five weeks after the first, using the same invoice that was not marked "PAID."

Cause

The Imprest Fund policy's sole duplicate-payment safeguard is a physical "PAID" stamp on an original invoice. In today's environment, many vendors issue electronic PDFs that can be printed or reprinted indefinitely. In this case, the claim was supported by an unstamped printed copy of the invoice. With no "PAID" mark and no secondary system check, the document looked like a fresh claim. Compounding the weakness, the fund administrator (who may also be the claimant) is permitted to approve the transaction, so no independent reviewer compared the voucher to prior payments.

**Control Weakness - Duplicate payment review missing**
Unstamped Copy Used + No Duplicate Payment Review + Claimant Also Approver
↓
Duplicate Reimbursement

Effect

The reliance on a paper stamp that can be omitted or bypassed creates vulnerability to duplicate submissions. The \$234 overpayment identified demonstrates this policy gap in practice. The control deficiencies indicate areas where stronger, technology-based controls could enhance safeguards against duplicate payments in the Imprest Fund system.

According to District policy (REF-1706.4), the Imprest Fund administrator is personally liable for unauthorized expenditures and must reimburse the District for any improper expenditures identified through audit.

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Finding No. 6 – Single Item over \$1,000 Limit

Criteria

According to the District's Reference Guide on Imprest Funds (REF-1706.4), "No single item with a total cost in excess of \$1,000 (inclusive of sales tax, shipping and handling) may be purchased through the Imprest Fund."

Condition

During our testing of 460 school imprest fund transactions across 23 schools, we identified one transaction (0.2% error rate) where a school used its Imprest Fund to buy a robotics-storage metal box for \$1,450, exceeding the \$1,000 limit.

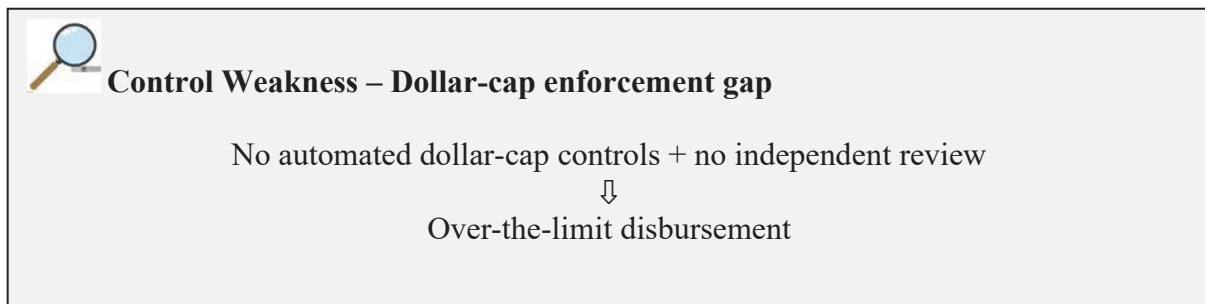
Cause

The Principal approved a teacher's claim for \$1,450, and no automated controls or independent review existed to catch the over-limit expenditure.

Effect

While this was an isolated instance (0.2% error rate), the over-limit purchase violates District policy and demonstrates a control gap in dollar-limit enforcement. The lack of automated controls or independent review allowed the \$1,450 expenditure to bypass the \$1,000 restriction, resulting in a \$450 policy violation that could be subject to disallowance.

According to District policy (REF-1706.4), the Imprest Fund administrator is personally liable for unauthorized expenditures and must reimburse the District for any improper expenditures identified through audit.



Finding No. 7 – No Approval in SAP

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) requires that "the fund administrator to whom the Imprest Fund was issued must sign the completed Imprest Fund Claim Form."

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Under the current online workflow, the required signatures are captured in SAP: the fund administrator acts as "First Approver," and Accounts Payable acts as "Second Approver." Both approvals must be recorded before a claim should be released for payment.

Condition

During our testing of 460 school imprest fund transactions across 23 schools, we identified one replenishment claim for \$172.91 (0.2% error rate) that was paid even though neither the First- nor Second-Approver step had been completed in SAP. The claim was submitted to reimburse the school's Imprest Fund bank account but processed without the required approvals.

Cause

The payment was processed because the SAP workflow for Imprest claims is not configured to halt processing when the First- and Second-Approver steps are missing. Accounts Payable staff confirmed that the system will release a claim for payment if the basic posting fields are complete; they could not provide a specific reason why the required approvals were absent in this case. This represents a system-enforcement gap—rather than an isolated user error—that allowed the claim to bypass the mandated two-step approval process.



Control Weakness – Approval workflow not enforced

SAP allows payment even when First/Second Approver approvals are missing
↓
Replenishment claim paid without required review

Effect

Processing and paying claims without the required approvals undermines the integrity of the internal control process and increases the risk of unauthorized or improper disbursements. The system configuration gap identified indicates a need to strengthen the approval workflow to prevent similar occurrences.

Finding No. 8 – Over-Replenishment of Imprest Fund Due to Data Entry Error

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) requires that all imprest fund reimbursement claims be supported by accurate documentation, with amounts on the claim form matching the actual disbursement amounts. Claims must be reviewed and approved to ensure accuracy before submission for replenishment.

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Condition

An employee was reimbursed \$700 through an imprest fund check. However, when the school submitted its replenishment request to the District, the claim form erroneously recorded the amount as \$770. As a result, the school's imprest fund was over-replenished by \$70.

Cause

The error appears to have resulted from a data entry mistake on the claim form. Although the claim form was approved by the fund administrator, the discrepancy between the actual check amount and the amount entered on the claim form was not detected before submission.

Effect

Overstating replenishment requests results in excess funds being advanced to the school imprest account, increasing the risk of misappropriation or misuse of District funds and leading to inaccuracies in the District's financial records.

Objective 2: Reconciliation Accuracy and Completeness

Most imprest fund reconciliations were prepared, but 72% of tested reconciliations were compliant with the District's reconciliation requirements.

Our review consisted of two phases:

Phase 1 – Completeness Review: We reviewed all 24 months across 23 schools and FSD to determine whether the required imprest fund bank account and the imprest fund general ledger account reconciliations were prepared. Of the 1,152 potential school reconciliations, 18 (1.6%) were not prepared across 4 schools. All 48 FSD reconciliations were prepared.

Phase 2 – Quality Review: We selected a sample of 282 prepared reconciliations (270 from schools and 12 from FSD) to test for accuracy and compliance with District requirements. This detailed testing found that reconciliations were generally prepared but contained numerous inaccuracies and were incomplete.

Of the 282 total reconciliations tested for quality, 202 (72%) were fully compliant; 79 (28%) contained at least one exception.

- FSD Revolving Account Reconciliations: 12 tested; 11 compliant; 1 reconciliation (8.3%) had one exception.
- School Imprest Fund Reconciliations: 270 tested; 192 compliant; 78 reconciliations (28.9%) had one or more exceptions.

The following table summarizes the exceptions noted:

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Error Rate	FSD		Schools	
	Count	Error Rate	Count	Error Rate
Reconciliations not prepared			18	1.6%
Reconciliations prepared incorrectly	1	8.3%	78	28.9%
Reconciliations not submitted per District requirements			32	11.9%

The tables above report exception instances (some reconciliations had more than one issue), so instance counts may total more than the number of non-compliant reconciliations.

The findings that follow explain the specific control weaknesses underlying the 80 non-compliant reconciliations.

Detailed Findings

Finding No. 9 – Reconciliations Not Prepared

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) requires that fund administrators prepare monthly reconciliations of both the imprest fund bank account and the imprest fund general ledger account. These reconciliations must be completed within 15 days of month-end to ensure timely identification and resolution of discrepancies.

Condition

During our comprehensive review of all 24 months across 23 schools (1,104 potential school reconciliations), we identified 18 instances (1.6% error rate) across 4 schools where the required monthly imprest fund bank account and the imprest fund general ledger account reconciliations were not always prepared. The affected schools and their respective error rates were:

- Burroughs MS: 6 out of 48 reconciliations not prepared (12.5%)
- Young Oak Kim Academy MS: 9 out of 48 reconciliations not prepared (18.8%)
- Virgil MS: 1 out of 48 reconciliations not prepared (2.1%)
- Gardena HS: 2 out of 48 reconciliations not prepared (4.2%)

Of the 18 missing reconciliations:

- Bank account reconciliations not prepared: 8 instances across 4 schools
- Imprest fund account reconciliations not prepared: 10 instances across 3 schools

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Cause

School staff cited staff turnover and inadequate training of replacement personnel, competing priorities during busy periods, misunderstanding of the monthly reconciliation requirement, and staff illness as reasons for missing reconciliations.

Effect

Failure to prepare monthly reconciliations eliminates basic financial oversight to ensure District records match bank records, preventing error detection, leaving outstanding items untracked, and making it impossible to verify accurate fund balances.

Finding No. 10 – Reconciliations Prepared Incorrectly

Criteria

The District's Reference Guide on Imprest Funds (REF-1706.4) requires that monthly reconciliations accurately reflect the true financial position of imprest fund accounts. Reconciliations must:

- Show correct book balances from the general ledger
- Reflect accurate bank balances from bank statements
- Properly identify and list all outstanding checks
- Provide clear explanations for any variances
- Include only transactions from the applicable month

Condition

Of the 282 reconciliations reviewed (270 schools; 12 FSD), 79 reconciliations (28.0%) had at least one mathematical or procedural error—78 at 18 schools (28.9% of school reconciliations) and one in FSD (8.3% of FSD reconciliations). Within those error reconciliations we logged 87 discrete error occurrences across six categories (a single reconciliation can contain multiple error types).

Error Type	Count	% of All Reconciliations	Share of Logged Errors
Book balance errors	31	11.0%	35.6%
Bank balance errors	23	8.2%	26.4%
Unexplained variances	15	5.3%	17.2%
Outstanding check errors	8	2.8%	9.2%
Cut-off errors	6	2.1%	6.9%
Unclaimed expenditure errors	4	1.4%	4.6%

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Note: Counts above are error occurrences, not reconciliations; totals exceed 79 because some reconciliations had more than one error type.

Cause

Errors largely reflected site-level process gaps: some SAAs were not adequately trained on required reconciliation steps; supervisory review was inconsistent; and the workflow relied on a manual, copy-forward process prone to arithmetic and carryover mistakes.

Effect

Incorrectly prepared reconciliations undermine this critical internal control, preventing the detection of bank errors and unauthorized transactions while potentially causing inaccurate financial reporting.

Finding No. 11 – Reconciliations Not Submitted Per District Requirements

Criteria

According to the District's Reference Guide on Imprest Funds (REF-1706.4), completed monthly reconciliations must be submitted to Local District Fiscal Specialists within 15 days of month-end for review and oversight. This submission requirement ensures independent verification of school-level reconciliation activities and provides an opportunity for District staff to identify and address potential issues promptly.

Condition

During our testing of 270 school imprest fund reconciliations across 23 schools, we identified 32 instances (11.9% error rate) across 12 schools where reconciliations were not submitted to the District as required:

Cause

Schools cited unclear submission procedures, competing priorities, and insufficient oversight by Local District Fiscal Specialists as reasons for failing to submit reconciliations to the District.

Effect

Failure to submit reconciliations eliminates an important layer of District oversight, reducing accountability, delaying problem identification, allowing inconsistent compliance, and weakening the intended internal control system.

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Finding No. 12 – Incomplete June Reconciliations

Criteria

Sound internal control practices require that reconciliations reflect complete and accurate information for the period being reconciled. Year-end reconciliations are particularly critical as they support the District's annual financial statement preparation and audit processes.

Condition

During our review, we observed that several schools prepared their June reconciliations in mid-June using May bank statements, before the school year ended. When staff returned after summer break, no updated reconciliations were prepared to reflect complete June activity. This practice resulted in:

- **Incomplete reconciliations:** June reconciliations did not include all transactions for the month.
- **Potential discrepancies:** Unreconciled June activity may have created unexplained variances.



Major Concerns Noted

- 78 school reconciliations contained mathematical or procedural errors
- 28% of all school reconciliations had accuracy problems
- Errors included incorrect balances, unexplained variances, and transactions being recorded in the wrong accounting period.

Cause

Schools cited academic calendar constraints and staffing limitations during summer months.

Effect

Incomplete reconciliations may result in inaccurate financial statements, audit complications, and carried-forward errors that create ongoing discrepancies.

Summary

The reconciliation review revealed significant compliance challenges, particularly at school sites where only 72% of reconciliations were fully compliant. The 28% exception rate indicates systemic deficiencies in training, oversight, and internal controls.

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Given the District's decision to phase out all imprest fund accounts by October 31, 2025, these reconciliation deficiencies highlight the importance of strong controls and training during the transition to expanded P-Card usage. The contrast between school-site performance (72% compliance) and FSD performance (92% compliance) demonstrates that centralized oversight and dedicated staff resources may help improve financial control outcomes; however, continued monitoring will be necessary to ensure effective controls under the P-Card process.

RECOMMENDATIONS AND MANAGEMENT RESPONSES

Because the imprest fund program was discontinued on October 31, 2025, these recommendations focus on accurate and complete close-out, and preventing issues from migrating to P-Cards:

1. Recover two Imprest Fund transactions totaling \$749 for unallowable expenses unrelated to school activities and duplicate reimbursement issued to school staff.

The OIG identified some questionable transactions that did not meet the specific requirements of the Imprest Fund policy but could have been allowable if processed through other funding mechanisms. However, two transactions listed below were determined to be unallowable regardless of the payment method.

- Reimbursement of \$515 to a teacher for a \$500 donation and the associated processing fee made at a non-District-related event (See details in Finding No. 1).
- Duplicate reimbursement of \$234 to a school principal (See details in Finding No. 5).

We recommend that the District recover the amounts from the responsible fund administrators and/or employees for these unallowable transactions.

Accounts Payable's Response:

Accounts Payable (AP) agreed with the recommendation and stated that the two reimbursement recovery letters had been mailed in November 2025.

2. Continue and Strengthen Monitoring of P-Card Transactions

The P-Card Unit, with the District's Procurement Services Division (PSD), has implemented enhanced oversight of P-Card activity by leveraging data analytics tools, artificial intelligence, and Excel pivot tables to identify high-risk transactions and prohibited purchases. Excel databases are also being used to track audit activity. Since the start of FY 2025–26, the P-Card Unit has audited 1,501 transactions, focusing on high-risk purchases identified by merchant category codes (MCCs), food-related expenses, and transactions made by new cardholders.

We recommend that PSD continue to actively monitor P-Card transactions using these data-driven tools and refine its analytics approach as needed to ensure ongoing compliance with District policies and to prevent recurrence of issues previously observed under the Imprest Fund program.

Performance Audit of Imprest Fund Operations and Financial Controls

PSD's Response:

PSD agreed with the recommendation and reported the following:

- ✓ PSD implemented the SAP-based P-Card reconciliation process, which requires cardholders to upload receipts, enter appropriate funding lines, and obtain review and approval by the Approving Official prior to transaction clearance.
- ✓ PSD enhanced the P-Card training program to strengthen controls, with increased emphasis on the Approving Official's role in the reconciliation process and the identification of incomplete or questionable documentation using detailed examples and scenario-based guidance. The updated P-Card training program was deployed in October 2025.
- ✓ PSD implemented U.S. Bank's "Program Monitor" audit tool, at no additional cost, to generate customized monitoring reports for high-volume transaction oversight.

OTHER MATTERS

During our testing, we noted several practices that did not rise to the level of audit findings but merit management attention.

Observation No. 1 - Online purchases delivered to non-school addresses

We noted 48 transactions at 16 schools shipped to non-District addresses, with receipt validation handled informally and few delivery confirmations or signed acknowledgments retained. While we found no misuse, this weakens asset accountability and makes it harder to prove items reached the school.

Management considerations. Because the District is phasing out imprest funds and transitioning to the enhanced P-Card program, this issue is unlikely to persist. Under the new P-Card procedures, deliveries to non-District locations are prohibited. As an additional safeguard, management may wish to emphasize these restrictions during P-Card rollout training to ensure consistent compliance.

Observation No. 2 - Lack of segregation of duties

At one school the principal approved purchases, issued checks, and performed monthly reconciliations - concentrating authorization, custody, and recording with one person. This reduces independent oversight and raises the risk that errors or irregularities go undetected.

Management considerations. Introduce a simple compensating review (e.g., monthly reconciliation review by a supervisor or Fiscal Specialist) and require a second signer/reviewer for disbursements above a threshold.

Observation No. 3 - Student Body funds used as an intermediary for District reimbursements

Performance Audit of Imprest Fund Operations and Financial Controls

At one school, staff were reimbursed from the student body account, which was later reimbursed by imprest funds (the school reports the practice has ceased). Using student funds as a bridge blurs fund separation and complicates the audit trail.

Management considerations. Reiterate a “one-channel” rule: District purchases are paid directly with District funds (or P-Cards), not temporarily with student body funds. Provide a short reminder to principals/ASB bookkeepers.

AUDIT TEAM

This audit was performed by the following auditors:

Stella Lai, Audit Manager
Shelly Guo, Principal Auditor
Vilma Baquir, Senior Auditor

APPENDIX A – Schools Selected for Imprest Fund Testing

North Region

North Hollywood High School

William Howard Taft High School

Pacoima Middle School

Nobel Middle School

Vintage Math/Science/Technology Magnet School

East Region

Bell High School

Dr. Maya Angelou Community Senior High

South Gate Middle School

Virgil Middle School

Bushnell Way Elementary School

South Region

Banning High School

Gardena High School

Dodson Middle School

Fleming Middle School

Amestoy Elementary School

West Region

Venice High School

University High School

Fairfax High School

John Burroughs Middle School

Mark Twain Middle School

Pio Pico Middle School

Young Oak Kim Academy

Open Magnet School

APPENDIX B – Response from Accounts Payable and Procurement Services Division

LOS ANGELES UNIFIED SCHOOL DISTRICT

Accounting and Disbursements Division
Accounts Payable

ALBERTO M. CARVALHO
Superintendent

PEDRO SALCIDO
Deputy Superintendent

SAMAN BRAVO-KARIMI
Chief Financial Officer



ERNIE THOMAS
Controller

CHRISTA CRAWFORD
Deputy Controller

ROCIO SAUCEDO
Director of Accounts Payable

November 18, 2025

Mark H. Pearson
Assistant Inspector General
Office of the Inspector General
333 Beaudry Avenue
Los Angeles, CA 90017

Dear Mr. Pearson,

The following written views and planned actions are being provided in response to the audit report on the Imprest Fund Operations and Financial Controls by Rocio Saucedo, Director of Accounts Payable and Dana Greer, Deputy Chief Procurement Officer.

Respectfully,

Rocio Saucedo

Rocio Saucedo
Director of Accounts Payable

APPENDIX B – Response from Accounts Payable and Procurement Services Division

Response to Audit Report on
Performance Audit of Imprest Fund Operations and Financial Controls
November 18, 2025

Recommendation 1

Recover two Imprest Fund transactions totaling \$749 for unallowable expenses unrelated to school activities and duplicate reimbursement issued to school staff.

The OIG identified some questionable transactions that did not meet the specific requirements of the Imprest Fund policy, but could have been allowable if processed through other funding mechanisms. However, two transactions listed below were determined to be unallowable regardless of the payment method.

- Reimbursement of \$515 to a school teacher for a \$500 donation and the associated processing fee made at a non-District-related event (See details in Finding No. 5).
- Duplicate reimbursement of \$234 to a school principal (See details in Finding No. 5).

We recommend that the district recover the amounts from the responsible fund administrators and/or employees for these unallowable transactions.

View and Planned Action

Agree with the recommendation. The district will seek to recover the amounts paid to the administrator and employee for unallowable transactions. Two reimbursement recovery letters will be issued to the individuals responsible for the unallowable transactions.

Target Date for Implementation

This has been implemented. Letters mailed in November 2025.

Recommendation 2

The P-Card Unit, with the District's Procurement Services Division (PSD), has implemented enhanced oversight of P-Card activity by leveraging data analytics tools, artificial intelligence, and Excel pivot tables to identify high-risk transactions and prohibited purchases. Excel databases are also being used to track audit activity. Since the start of FY 2025–26, the P-Card Unit has audited 1,501 transactions, focusing on high-risk purchases identified by merchant category codes (MCCs), food-related expenses, and transactions made by new cardholders.

We recommend that PSD continue to actively monitor P-Card transactions using these data-driven tools and refine its analytics approach as needed to ensure ongoing compliance with District policies and to prevent recurrence of issues previously observed under the Imprest Fund program.

View and Planned Action

Agree with the recommendation. Procurement Services Division will continue actively monitoring P-Card transactions using data-driven tools and adjust its analytics approach as needed to stay aligned with District policies and to prevent the kinds of issues previously seen with the Imprest Fund program. The Audit Report has been shared with Procurement Services Division.

APPENDIX B – Response from Accounts Payable and Procurement Services Division

Response to Audit Report on
Performance Audit of Imprest Fund Operations and Financial Controls
November 18, 2025

In addition, the SAP-based P-Card reconciliation process is currently in use and designed to strengthen compliance and accountability. This process requires cardholders to upload receipts and add appropriate funding lines, followed by review and approval of the Approving Official before the transactions can clear.

To further strengthen controls, the P-Card training program has been enhanced to place greater emphasis on the Approving Official's role in the reconciliation process. A key focus area of the training is the identification of incomplete or questionable documentation. The training provides detailed examples of acceptable documentation and includes scenarios that illustrate appropriate actions for addressing potential policy violations.

Target Date for Implementation

Procurement Services Division is using a new US Bank program audit tool called "Program Monitor," which generates customized reports based on user-defined criteria. This tool is included at no additional cost under the current contract, making it a cost-effective solution for managing the large volume of transaction data. Implementation has been completed, with reports having been set up within the bank's system. Additionally, the updated P-Card training program was implemented in MyPLN in October 2025.

FRAUD, WASTE, AND ABUSE HOTLINE

Office of the Inspector General "Independent and Objective Oversight"

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Español

