



TO: Lamont A. Jackson, Area Superintendent
FROM: Stephen Carr, Director, Office of Internal Audit *WSC*
DATE: March 19, 2014
RE: Audubon K-8 School – Time & Labor Audit, Associated Student Body (ASB) Audit, and Purchase Card Audit

Our office conducted an audit of the Audubon K-8 School Time & Labor, ASB, and Purchase Card for the period July 1, 2011 through June 30, 2012. The audit report contains information regarding the audit findings and recommendations. Enclosed are copies of the audit report and the response.

The site administrator was responsive to all of our recommendations and corrective actions had been taken or are planned.

If you have any questions concerning the information in this report, please call me at 725-5696.

c: Members, Board of Education
C. Marten
S. Monreal
A. Donovan

email: Members, Audit Committee
C. Marten
S. Monreal
M. Hudson

Audit Report
Audubon K-8 School
Purchase Card

March 19, 2014

Introduction

Finance Division introduced the purchase card program to streamline procurement procedures. The purchase card allows District departments and sites, under specific guidelines, to effectively obtain low dollar value purchases directly from vendors without waiting for purchase orders to be processed for each transaction.

The Controller as the Program Administrator administers the district's purchase card program and implements the purchase card policies and procedures. The Program Administrator is also responsible for setting appropriate card limits and commodity restrictions; and for monitoring, supervising and evaluating the use of purchase cards.

The Approving Official is responsible for reviewing all charges of cardholders that report to him/her. The Approving Official is also responsible for ensuring that all purchases on the monthly cardholder statements are appropriate, for official use, and have proper receipts or documents.

The cardholder is responsible for ensuring that the purchase card is used in accordance with district policies and procedures and all purchases of commodities are in accordance with district procurement and contracting procedures and policies. The cardholder is also responsible to keep all the original receipts/invoices at the site for audit.

Audit Objectives

- To determine if the internal control system is adequate and effective.
- To determine if purchase card activities comply with district procedures.
- To determine that expenditures are authorized and have adequate supporting documentation.
- To determine that record keeping are sufficient to reasonably assure efficient and accurate accounting.

Audit Scope

We examined the Purchase Card policies and procedures being followed and related records and reports for the period July 1, 2011 through June 30, 2012.

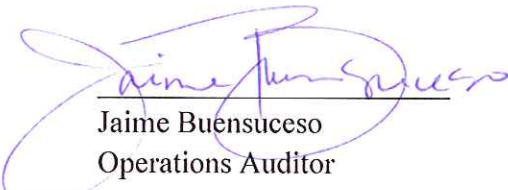
Audit Findings Summary


1. Use/Sales tax was not reported.
2. Three purchases totaling \$573.66 did not have adequate supporting documentation.

Conclusion

In our opinion, the Purchase Card financial activities at Audubon K-8 School from July 1, 2011 to June 30, 2012, were generally in order except for the above findings that need immediate attention or reforms.

We appreciate the cooperation of school personnel during the examination.


Jaime Buensuceso
Operations Auditor


W. Stephen Carr
Director , Office of Internal Audit

Audit Finding and Recommendation

1. Use/Sales tax was not reported.

The Purchase Card Statement of Expenses submitted to Accounts Payable by the cardholder stated that sales tax was paid on purchases made from out of state vendors. However, we noted that the sales tax on the purchases from 10/15/11 to 5/29/12 totaling 2,167.36 was not paid.

As a result, the district may be penalized for not reporting the equivalent use tax on the above purchases.

Recommendation:

The cardholder should ensure that applicable use tax is reported in the monthly Purchase Card Statement of Expenses reported to Accounts Payable if the sales tax was not collected by the vendor. The principal on review of the Purchase Card Statement has responsibility for certifying that the statement is correct.

2. Three purchases totaling \$573.66 did not have adequate supporting documentation.

Three purchases totaling \$573.66 did not have adequate supporting documentation as follows.

Date	Description	Amount	Supports
2/6/2012	Planners	99.45	Quote
3/16/2012	Incentive for students	439.31	Order Form
5/10/2012	Breakfast item	34.90	Substitute Receipt
	Total	573.66	

“The purchase card program requires that approvers retain original, itemized receipts for all purchases made by cardholders within their reporting hierarchy for a period of 5 fiscal years.”

Recommendation:

We require that card purchases be supported by original an itemized receipt that is retained for the required duration.

MEMORANDUM

TO: W. Stephen Carr, Director, Office of Internal Audit
FROM: Lamont A. Jackson, Area Superintendent
DATE: February 19, 2014
RE: Audubon K-8 Audit Reports

On February 3, 2014, I received a memo regarding Audubon K-8 audit reports. Based on the audit there were major findings with the Associated Student Body (ASB), Payroll Time and Labor, and Purchase Card:

Major findings with ASB:

1. Five ASB check stubs totaling \$2,646.44 and supporting documentation are missing.
2. Bank reconciliations were not prepared in timely manner.
3. A stale check for seventeen months was not cancelled.
4. Collections totaling \$333.35 were not receipted.
5. An ASB receipt no. 167067 issued on 7/17/11 were missing.
6. The amount of collections recorded in the books was based on the amount of the deposit ticket. However, this differed from the amounts on the receipts.
7. The documents supporting the expenditures are not cancelled upon payment.
8. The school allowed the Audubon PTA to conduct fundraisers on school premises although they are not recognized as a charitable organization by the Internal Revenue Service.
9. The school allowed the Audubon PTA, an organization not recognized as a charitable organization by the Internal Revenue Service, to control all the funds they raised for the benefit of the school.

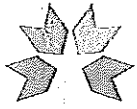
Major finding with Payroll Time and Labor:

1. A total of 65 hours of additional pay amounting to \$2,510.60 were posted to Time and Labor without supporting documentation on file
2. The former Elementary School Assistant took two days Floating Holiday benefit during the school year 2011/2012.
3. There were errors in recording payable time for three employees that need to be corrected.
4. Absences of several employees totaling 132.75 hours were not recorded in the Time and Labor system.
5. Supporting documentation for absences of several employees totaling 97 hours were missing. As a result the propriety of the absences could not be determined.

Major finding with Purchase Card:

1. Use/Sales tax was not reported.
2. Three purchases totaling \$573.66 did not have adequate supporting documentation.

There was a high administrative transition rate at the Audubon K -8 School during the 2011-2012. Operational systems and internal controls have been established by the Audubon principal to implement and certify compliance with the district's policies and procedures with Payroll Time and Labor, Associated Student Body (ASB) and Procurement Card purchases. I am satisfied with the principal's direction to remedy the audit findings. Thank you for providing me with the information and I look forward to a positive audit in the future.



TO: Jaime Buensuseco, Operations Auditor
FROM: Jean Freeman, Principal *JF.*
DATE: February 18, 2014

SUBJECT: RESPONSE TO AUDIT REPORT FINDINGS FOR AUDUBON K-8 SCHOOL
FISCAL YEAR 2011-2012 SCHOOL YEAR

CC: Lamont Jackson, Area 1 Superintendent

On Friday, January 31, 2014, I received a copy of the 2011-2012 audit for Audubon K-8 School from Jaime Buensuseco, Operations Auditor. I was not the principal of Audubon for the complete 2011-2012 school year. I was appointed Principal of Audubon in January 2012. My first day on the Audubon campus was January 26, 2012. Audubon had nine interim principals and vice principals prior to my appointment.

Upon my first few weeks at Audubon, I discovered some irregularities which caused me concern. In February 2012, I discovered _____, Noon Duty personnel, was being paid daily from 6:00-7:30 a.m. with school funds to "babysit" children in the auditorium whose parents did not have morning childcare. I immediately notified my direct supervisor, Dr. Brenda Campbell of this irregular use of school funds. Dr. Campbell instructed me to inform parents they had two weeks to make alternative arrangements before the morning program was stopped. Dr. Campbell also instructed me to call for an audit.

In early March of 2012, I called Stephen Carr, Director, and Office of Internal Audit to request an internal audit after noticing some additional irregular operational systems with regards to mandated reports. _____ failed to provide the five mandatory audit paid reports when requested for January, February, and March of 2012. In April 2012, upon return from spring break, _____ and I met with Judith Wind-Waker to review and establish needed systems in place to ensure SDUSD procedures were being followed.

In early May of 2012, I received the January and the February mandatory time reports, however upon review of the reports along with the SAM's systems reports, timecards, and other relevant reports, I notified Dr. Brenda Campbell that I was hesitant to sign any documents due to incomplete and incorrect information being provided in the reports to my office.



Upon review of documentation provided to me by _____, I discovered hourly time inputted without signed and approved timecards, instances where there was a failure to deduct sick time from staff members who had called in sick, and incorrect time recorded to staff for extended day hours.

Payroll Time and Labor Audit

I accept the Payroll and Labor Audit findings. Many of the errors found during the 2011-2012 audit matched many of the same findings discovered when I reviewed the mandatory reports in May 2012.

_____ left Audubon in September of 2012. Since her departure from campus, the following operational systems and internal controls have been established:

- The Audubon Time Keeper has an established a process to verify absences and payable hours to ensure they are recorded in a timely and accurate manner
- Time cards are submitted to my office for approval prior to time being input in Time and Labor

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to the 65 hours of additional pay amounting \$2,510.60 which was posted on Time and Labor without supporting documents, identified staff members will complete timecards and my current Adm. Aide will ensure the proper supporting documentation is on file when Time and Labor is processed.
2. With regards to my former ESA, _____ taking two days Floating Holidays during the 2011-2012 school year, I will submit to Payroll a correction via a Time Error Correction Notice.
3. With regards to the errors in recording payable time for three employees that need to be corrected, I will require the Time Keeper to make corrections by submitting a Time and Error Correction Notice to Payroll to recover overpayments
4. With regards to the absences of several employees totaling 132.75 hours which were not recorded in Time and Labor, I will have the Time Keeper make corrections by submitting Time Error Correction Notices to Payroll.
5. With regards to supporting documentation for absences of several employees totaling 97 hours which were missing, I will require staff to complete an absence request form and the Time Keeper will ensure all absence requests' have supporting documents are on file.



Associated Student Body (ASB)

I accept the Associated Student Body Audit findings. Many of the findings discovered in the audit were also discovered by myself when examining operational procedures for the Audubon PTA.

In July 2012, on the last work day for office staff, I discovered over \$1,400.00 in an unlocked cabinet under the direct control of [redacted] admitted to accepting the money prior to the last day of school from ASB Advisor [redacted]. Funds had been collected from the sale of school yearbooks. [redacted] had collected the funds daily from students and failed to turn in the money. This action was a direct violation of SDUSD policy. Once learning about this, I met with [redacted] z and reviewed policy and procedure for accepting ASB funds. In addition, I called [redacted] who was on vacation at the time to review her responsibilities as the ASB Advisor. [redacted] did not continue to serve as the ASB Advisor during the 2012-2013 school year. In addition, I accompanied [redacted] to Yvonne Jones office to secure the ASB deposit. Ms. Jones escorted [redacted] and myself to Julie Nguyen's office to complete the deposit.

Since [redacted] departure from Audubon in September of 2012, we have implemented the following procedures:

- Strict control and overall management of ASB funds and checks
- Careful maintenance and control of ASB records
- Strict adherence of prescribed accounting procedures

Lastly, in closing, [redacted] z took data, receipts, and other documents from Audubon when she left in September of 2012. Administration contacted Mitzi Merino, Area 5 Superintendent to secure the return of the documents. Documents were returned to Audubon within three weeks after [redacted] left campus. I have no way of knowing if all documents were returned to Audubon.

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to the five ASB checks stubs totaling \$2,646.44, and supporting documents missing, I am unable to locate this information due to the lack of proper records kept by my former ESA.
2. With regards to bank reconciliation not being prepared in a timely manner, Audubon had four temporary staff members filling in the ESA position from September 2012 through October 2013, we now have a new Adm. Aide who has



- met with Yvonne Jones several times, attended mandatory ASB training, and reconciling ASB deposits on a monthly basis.
3. With regards to a stale check for seventeen months not being cancelled, the Adm. Aide will cancel / void this check and any checks not cashed by the six months after the date of the check.
 4. With regards to collections totaling \$333.35 which were not receipted, Audubon's Adm. Aide will issue receipts in triplicate for all money collected.
 5. With regards to the missing ASB receipt no 167067, all written ASB receipts will be maintained and kept on file.
 6. With regards to the amount of collections recorded in the books, the total amount of the receipts must be reconciled with the total amount of money collected to be deposited in the bank.
 7. With regards to the documents supporting the expenditures being not cancelled upon payment, the financial clerk will stamp the vendor's invoice PAID to eliminate duplicate payments. She will also write the date and the number of the ASB check on the invoice or receipt supporting the expenditures.
 8. With regards to the school allowing the Audubon PTA to conduct fundraisers on school premises, the Audubon PTA has been disbanded and will no longer operate in any function. The Audubon PTA was approved during an earlier administration prior to my coming to Audubon in January 2012. Audubon's PTA has lost its charter and can no longer function as a PTA.
 9. With regards to allowing the Audubon PTA not recognized as a charitable organization by the IRS to control all funds they raised for the benefit of the school, I will control the collection, deposit, and expenditures of money raised by parent groups not having a 501.C.3 nonprofit status.

Purchase Card

I accept the Purchase Card findings. I _____ took data, receipts, and other documents from Audubon when she left in September of 2012. Administration contacted Mitzi Merino, Area 5 Superintendent to secure the return of the documents. Documents were returned to Audubon within three weeks after I _____ left campus. It is uncertain whether all documents were returned to the school.

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to not reporting sales tax, _____ : should have known to pay the sales tax because she is the purchase cardholder. I will ensure that staff



pays the sales tax by continuing to review the monthly purchase card statements particularly for this specific reason.

2. With regards to three purchases totaling \$573.66 which did not have adequate supporting documents, I will ensure Purchase Card policies and procedures are being followed and related records and reports are maintained. My former, ESA, I did not keep the original receipts and thus replaced them with the substitute transaction receipts from the bank. I will ensure that we obtain duplicate receipts if the originals are misplaced.

Summary

Thank you for the opportunity to respond to the audit at Audubon K-8 School. I agree, that overall, the finances at Audubon K-8 School was generally in good order. Please keep in mind that there was a high administrative transition rate during the 2011-2012 school year. It is evident that ESA, , who had been in this role for at least four years failed to follow policy.

I thank you for the opportunity to strengthen internal controls and comply with SDUSD procedures. I have learned from this audit and have already taken steps to comply with the recommendations provided to me.

A handwritten signature in cursive script that reads "Jean Freeman".