




**TO:** Susan Levy, Principal  
Pershing Middle School

**FROM:** John M. Cashmon, Director   
Office of Internal Audit

**DATE:** 17 December 2014

**SUBJECT:** *Pershing Middle School – Audit Reports*

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Attached are the Office of Internal Audit's (OIA's) reports on the results of our review of the Pershing Associated Student Body, for the period July 1, 2013 through May 31, 2014, Time and Labor, and Purchase Card for the period July 1, 2013 through March 31, 2014.

Your response and corrective actions were responsive to our recommendations and included in the audit report.

c: Members, Board of Education  
C. Marten  
S. Monreal  
S. Freire  
C. Duran

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



**Pershing Middle School**  
**Associated Student Body Audit Report**

December 17, 2014

**Introduction**

The Office of Internal Audit performed an audit of the Associated Student Body (ASB) at Pershing Middle School for the period July 1, 2013 through May 31, 2014.

Student body funds are funds that have been earned or received by the students as a group. These funds are held in the name of the student body organization for the benefit of the student body as a whole. The Superintendent shall have the responsibility and authority to implement all policies and regulations pertaining to the supervision and administration of student activity funds in accordance with established policies and regulations of the Board of Education. The Principal, as trustee, is directly responsible for the conduct of student financial activities. The ASB Advisor, under the Principal's direction is responsible for all student activities, clubs, fund-raisers and specific additional duties outlined in district procedures. The Financial Clerk, under the Principal's direction and supervision, is responsible for all handling of cash in connection with these activities.

The Pershing Middle School ASB checking as of May 31, 2014, had a balance of \$34,300.00. The ASB General Fund constitutes a balance of \$42,400.00 of this total. Approximately \$69,400.00 was deposited and \$67,600.00 was withdrawn between July 1, 2013 and May 31, 2014, through the Pershing Middle School ASB accounts.

**Audit Scope**

We performed the audit of ASB financial records for the period July 1, 2013 through May 31, 2014 at Pershing Middle High School. We examined the procedures being followed, and transactions for cash receipts and disbursements of the ASB funds,

**Audit Objectives**

- To ensure adequate internal controls are in force.
- To determine if ASB accounts and activities are in accordance with district procedures.
- To determine that expenditures have adequate supporting documentation.
- To determine that record keeping is sufficient to assure efficient and accurate accounting.

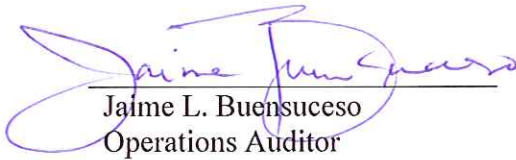
### Audit Findings Summary

1. The sale of PE clothes and locks were short by \$143.00 and \$90.00 respectively.
2. Commissions for pictures totaling \$1,040.00 were deposited to Principal Discretionary Account instead of the ASB General Fund.
3. There was no "Club Advisor Checklist" for Music Club and Circle of Friends Club on file.

### Conclusion

Other than the matters included in this report, nothing come to our attention that lead us to believe the Pershing Middle School ASB accounts were misstated.

We appreciate the courtesies and cooperation of school personnel during the examination.

  
Jaime L. Buensuceso  
Operations Auditor

  
John M. Cashmon  
Director, Internal Audit

## Audit Findings and Recommendations

1. The sale of PE clothes and locks were short by \$143.00 and \$90.00 respectively.

Analysis of the PE clothes sale revealed that revenue from sales of PE clothes was short by \$143.00 computed as follows.

PE clothes (shorts and shirts) inventory as of June 30, 2013	786
Add: Purchases	<u>1,126</u>
Total available for sale	1,912
PE clothes (shorts and shirts) inventory as of May 5, 2014	<u>912</u>
Number of PE clothes (shorts and shirts) sold	1,000
Multiply by sales price	<u>\$ 8</u>
Total sales per inventory as of May 5, 2014	\$ 8,000
Total sales per books as of May 5, 2014	<u>7,857</u>
Shortage	<u>\$ 143</u>

Analysis of the lock sale revealed that revenue from sales of locks was short by \$90.00 computed as follows.

Locks inventory as of June 30, 2013	73
Add: Purchases	<u>300</u>
Total locks available for sale	373
Locks inventory as of May 5, 2014	<u>129</u>
Number of locks sold	244
Multiply by sales price	<u>\$ 5</u>
Total sales per inventory as of May 5, 2014	\$ 1,220
Total sales per books as of May 5, 2014	<u>1,130</u>
Shortage	<u>\$ 90</u>

### Recommendation

The Principal should require that physical inventory of all merchandise for resale should be taken every month. The merchandise sold every month as determined by physical inventory should be reconciled with the sales of merchandise recorded in the ASB books.

### Principal's response

The merchandise concerned is now in the stock room under lock and key. Access to the stock room is limited only to the Finance Clerk and the Administrative Assistant. The finance clerk will ensure that the physical inventory of merchandise is taken every month.

**2. Commissions for pictures totaling \$1,040.00 were deposited to Principal Discretionary Account instead of the ASB General Fund.**

On October 15, 2013 and February 13, 2014, Lifetouch gave commission for pictures to the school in the amount of \$698.00 and \$342.00 respectively totaling \$1,040.00. The \$1,040.00 commission was deposited to the Principal's Fund instead of to the ASB's General Fund.

District Procedure No. 4938, states “Student body organizations are negotiating agents.”

According to School Business Administration Publication no. 3 published by California State Department of Education, “*The student body organization may negotiate agreements with firms for concession sales of merchandise such as pictures, articles of clothing, and so forth. The income from these sales is considered part of a student body organization’s funds.*”

### **Recommendation**

The Principal should authorize the transfer of the \$1,040.00 commission for pictures from the Principal Fund to the ASB General Fund via a journal voucher.

### **Principal’s response**

An adjusting entry was made dated Sept. 24, 2014. The finance clerk will see to it that future commissions on pictures received will be deposited into the ASB General Fund.

### **3. There was no “Club Advisor Checklist” for Music Club and Circle of Friends Club on file.**

The Club Advisor Checklist for Music Club and Circle of Friends Club was not signed by the club advisor. The Club Advisor Checklist is a guideline that shows procedures to adhere to for proper handling of fundraisers, collections, and disbursements of student body funds. The signature of the club advisor provides acknowledgement and support for understanding the proper supervision of club activities as required by law and district regulations.

*District Procedure 6240, section D.1.e.(4) states, “Advisor acknowledges receipt of “Club Advisor Checklist” (E.2., Attachment). A signed copy of the “Club Advisor Checklist” must be on file in the school’s financial office.”*

### **Recommendation**

The Principal should require all club/class advisors to sign the “Club Advisor Checklist”, and the signed copy be kept in the finance office.

### **Principal’s response**

The Club Advisor Checklist is now on file. The Circle of Friends Club does not exist anymore. The teachers were strongly told that whenever they plan to form a school club, they should see to it that all required documents have been discussed with the Finance Clerk and ASB and that the Checklist is on file.

**Pershing Middle School**  
**Purchase Card Audit Report**  
**December 17, 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. Additionally, the Approving Official is 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, 2013 through March 31, 2014.

## 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 August 27, 2013 to March 6, 2014 totaling \$1,018.32 was not paid as follows.

Date	Description	Amount	Remarks
08/27/2013	School supplies	252.77	Tax not reported
09/30/2013	Supplies for Special Education	13.99	Tax not reported
10/01/2013	School Supplies	9.23	Tax not reported
02/15/2014	Pencils	143.53	Tax not reported
02/20/2014	Computer charger	207.24	Tax not reported
03/06/2014	Books	391.56	Tax not reported
	Total	1,018.32	

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

### Recommendation

The principal 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.

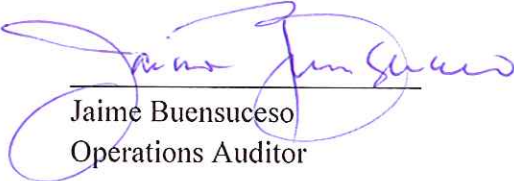
### Principal's response

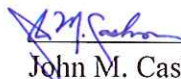
In coordination with Accounts Payable, we learned that they remitted the use tax on subject purchases except for Atlas Pen wherein the total amount paid already includes sales tax. The principal and finance clerk will ensure that applicable use tax is reported in the monthly purchase card statement of expenses and is reported to Accounts Payable if the sales tax was not collected by the vendor.

### Conclusion

In our opinion, the Purchase Card financial activities at Pershing Middle School from July 1, 2013 to March 31, 2014, other than the matter noted above, nothing came to our attention that caused us to believe that the Pershing transactions were misstated.

We appreciate the cooperation of school personnel during the examination.

  
Jaime Buensuceso  
Operations Auditor

  
John M. Cashmon  
Director, Internal Audit

**Pershing Middle School**  
**Payroll Time and Labor Audit Report**

**December 17, 2014**

**Introduction**

The Office of Internal Audit conducted an audit of the payroll time and labor at Pershing Middle School for the period July 1, 2013 through March 31, 2014.

The review included an examination of PeopleSoft time and labor computer records, applicable district procedures, and payroll documentation maintained at the school site.

The administrative assistant is responsible for recording payroll data into the Time & Labor system. Based on timecards prepared by employees and approved by the site administrator, the administrative assistant enters the payable time, and absences such as sick leave, vacation leave, and additional earnings, into the Time & Labor system. The timecards must be entered as required by the Payroll Department to assure accurate payroll reporting.

The school site is also required to run the monthly payroll reports for example, Audit Paid to Reported Time, and Time Summary. The monthly payroll reports are to be reviewed and approved by the site administrator to certify the payroll, ensuring that the employees' wages and absences are properly authorized and recorded.

The employees assigned at Pershing Middle School totaled 56, including the principal.

**Audit Scope and Objectives**

The scope of this audit included a review of all supporting documentation for the payroll time and labor input from July 1, 2013 through March 31, 2014.

The specific objectives of this audit were:

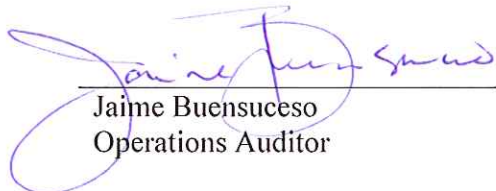
- To determine that internal controls exist to protect the assets of the school district.
- To determine that the time keeping process complied with district policies and procedures.
- To verify that all absences and payable hours were recorded timely and accurately.
- To verify that all absences are payable hours, are authorized and properly documented.
- To determine that monthly positions are valid and full time equivalent agrees to employee's actual hours worked.



## Conclusion


In our opinion, nothing come to our attention that caused us to believe that the time and labor at Pershing Middle School for the period July 1, 2013 to March 31, 2014 were misstated.

We appreciate the cooperation extended by the staff during the examination.



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Jaime Buensuceso  
Operations Auditor



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John M. Cashmon  
Director, Internal Audit