



TO: Julie Martel, Area 3 Superintendent
FROM: Stephen Carr, Director, Office of Internal Audit *SC*
DATE: December 18, 2013
RE: Carson Elementary School ASB and Purchase Card Audit

Our office conducted an audit of the Carson Elementary School ASB and Purchase Card for the period July 1, 2012 to June 30, 2013. The audit report contains information regarding the audit findings and recommendations. Enclosed are copies of the audit reports and the response.

The ASB and Purchase Card audits were generally in good order. The site administrator was responsive to all of our recommendations and corrective actions had been taken or 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: BOE, Audit Committee
C. Marten
S. Monreal
M. Hudson



Carson Elementary School

Purchase Card Audit Report

December 18, 2013

Introduction

An audit was performed on the purchase card financial operations at Carson Elementary School for the period July 1, 2012 through June 20, 2013 at the request of the principal.

Carson Elementary School has one purchase card. The total purchase card purchases from July 1, 2012 through June 20, 2013 were \$10,344.92. The Cardholder purchase card has a single purchase limit of \$500, a daily limit of \$1,000 and a monthly spending limit of \$2,000.

Background

A purchase card is a specialized credit card that allows authorized District employees to purchase authorized goods and services. It is issued for government use only and contains limitations such as single purchase and monthly spending limits, prohibited purchases and prohibited vendors.

The Approving Official is responsible for reviewing all charges for cardholders that report to him/her, ensuring that all purchases on the monthly cardholder statements are appropriate and for official use, ensuring no prohibited items have been purchased, assigning appropriate budget charge numbers to each invoice and ensuring that there are original, itemized documentation for all purchases on the monthly cardholder statements.

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 compliance with district procurement and contracting procedures and policies. Cardholder is also responsible for the security of the purchase card to prevent any unauthorized use of the card.

Audit Scope and Objectives

- To audit financial records from July 1, 2012 through June 20, 2013.
- To ensure adequate internal controls are in force.
- To determine if procurement card activities are in accordance with district procedures.
- To determine that expenditures are authorized and have adequate supporting documentation.

Audit Findings Summary

1. Card purchases totaling \$512.27 lack proper supporting documentation.
2. The reporting of "use tax" for out of state vendors was not properly performed.

Conclusion

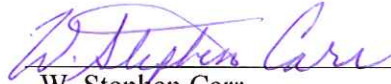
In our opinion, the Purchase Card financial activities at Carson Elementary School from July 1, 2012 to June 30, 2013, were generally in order except for the above findings.

Administration is to implement an improvement in the control of supporting documents. Supporting documents, such as original invoices and receipts must be kept on file to minimize the risk of errors and irregularities.

We appreciate the courtesies and cooperation extended by school personnel during the examination.



Ines G. Abitria
Operations Auditor



W. Stephen Carr
Director, Office of Internal Audit

Audit Findings and Recommendations

1. Card purchases totaling \$512.27 lack proper supporting documentation.

We examined the supporting documentation for all card purchases for the period July 1, 2011 through June 20, 2012. Our review of the purchase card supporting documents revealed that \$512.27 or 5% of the total card purchases did not have proper supporting documents.

Specifically, we noted the following:

Date	Vendor	Amount	Support
09/24/2012	American Legacy Publis	\$12.95	Order confirmation
11/15/2012	Office Depot	35.59	Order confirmation
12/04/2012	Amazon Mktplace	101.97	Order detail
01/25/2013	Amazon.com	258.90	Order
03/11/2013	Amz Magazine Express	28.95	Order detail
03/26/2013	Scholastic Store	73.91	Order confirmation
	Total	\$512.27	

Payments should always be supported with an original invoice not by a packing list, photocopy, facsimile, credit card slip, order confirmation, order form or a statement of account to prevent the risk of duplicate payment.

Adherence to the following aspect of the district's policy for credit card use is required as a condition for having continued use of the card.

- **Approvers are responsible for reviewing and approving all purchases made by cardholders within their reporting hierarchy.**
- **Ensuring original, itemized receipts have been received.**
- **The Approver must retain original receipts and safeguarded by the approver for a period of 5 fiscal years.**

Recommendation

The principal as approver is responsible to institute practices that have the purchase card use satisfy the district requirements governing the purchase card.

All expenditures must be supported by a paid receipt or an invoice to document that items has been received and paid. The Cardholder needs to request the invoices from the vendor. Following receipt of the missing invoices, the Cardholder needs to provide the receipts to the Office of Internal Audit for review.

2. The reporting of “use tax” for out of state vendors was not properly performed.

The cardholder reported that sales tax was included by the vendor. However, our audit revealed that nine card purchases did not include sales tax for the following:

Date	Vendor	Use Tax
08/22/2012	Elan Publishing Company	\$7.67
08/23/2013	Paypal Identakid	12.46
10/05/2012	Jones School supply	28.91
10/24/2012	Paypal Dryerase	11.79
12/04/2012	Amazon Mktplace	7.90
12/07/2012	Educational Prod.	10.77
01/23/2013	Amazon Mktplace	3.40
01/30/2013	Caslon Publishing	23.97
02/18/2013	Oriental Trading Co.	18.78
03/01/2013	Sunrise Hitek Group LLC	5.52
03/04/2013	Amazon Mktplace	3.71
03/11/2013	Amz Magazine Express	2.32
03/22/2013	Amazon Mktplace	1.51
03/22/2013	Amazon Mktplace	1.12
03/26/2013	Scholastic Store	5.11
05/23/2013	Curric Assoc Books	7.65
06/24/2013	Harding House Publisher	1.91
06/28/2013	Naesp-Peap	0.96
	Total	\$155.46

Out of state vendors who did not collect sales tax must be indicated on the reporting of purchase card transactions. This reporting, that sales tax was not included, will facilitate the payment of use tax by Accounts Payable. Close monitoring and accurate reporting of sales/use tax is required since district records are subject to audit by the California State Board of Equalization.

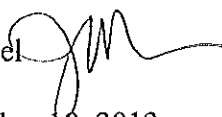
Recommendation

The principal as approver is responsible to institute practices that have the purchase card use satisfy the district requirements governing the purchase card.

The Cardholder is to review their receipts carefully. If sales tax is not listed on the receipt, or if only the state rate is listed on the receipt, the cardholder must indicate an “N” in the field with the heading “Sales Tax Included”. Also, the cardholder is to indicated either “no sales tax collected” or the amount of the sales tax indicated on the receipt, if less than the sales tax rate.



MEMORANDUM

TO: S. Carr
FROM: J. Martel 
DATE: December 18, 2013
SUBJECT: CARSON ELEMENTARY SCHOOL AUDIT

The Office of Internal Audit identified four (4) findings in the area of Time and Labor, two (2) findings in the area of Purchase Card, and four (4) findings in the area of ASB that need corrective action. I have reviewed principal Joe Frescatore responses to the recommendations made by the Office of Internal Audit and I am confident he will follow through with the actions he has outlined.



To: Dr. Julie Martel, Area 3 Superintendent
From: Joseph Frescatore, Principal, Carson Elementary School
Date: November 20, 2013
Re: Audit Report Response

Associated Student Body Audit Response

1. Carson Elementary has started implementation of the Request for Approval of Fundraising Activity by a Non District Organization form (Admin Proc. 9325) this current school year, 2013-2014. All future proceeds from fundraisers conducted by the Carson Parent Organization will pass through the school office and be controlled by the principal. In addition, the Carson Parent Organization will pursue 501(c) (3) determination letter from the IRS.
2. Carson Elementary has started implementation of the Request/Permission to Raise Funds, Student Body, Elementary (Admin Proc. 2265) this current school year, 2013-2014.
3. Carson has ordered a PAID stamp for documentation and will stamp invoices or receipts as PAID.
4. The trust account for the Kindergarten Fund shall be transferred to the Student Body General Fund.

Purchase Card Audit Response

1. Original invoices will be kept in place of order confirmations. In the event that an original invoice is not supplied by the vendor, an online invoice will be printed.
2. When reconciling the P-Card transactions, Carson Elementary will now be reporting the Use Tax by indicating 'N' in the field with the heading 'Sales Tax Included' as needed.

Payroll Time and Labor Audit Response

1. Time Error Correction Notices were submitted to Payroll for the 45.00 hours not previously recorded.

Letter to John Doe

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2. A timecard has now been completed for the 7.75 hours that were missing and a determination was made that the payments made were allowable, valid and authorized. This was an isolated oversight.
3. The two employees who submitted Short Term Leave with Pay Request (for bereavement) qualified for this benefit. We will ensure all staff fills out these forms with a full explanation.
4. A Time Error Correction Notice to Payroll was submitted to correct the duplication of "Floating Holiday". I will work with the site timekeeper to double check PeopleSoft before submitting Floating Holiday hours.