



TO: Mitzi Merino, Area 5 Superintendent
FROM: Stephen Carr, Director, Office of Internal Audit *SDC*
DATE: December 18, 2013
RE: Franklin Elementary School – Time & Labor Audit, Associated Student Body (ASB) Audit, and Purchase Card Audit

Our office conducted an audit of the Franklin Elementary School Time & Labor, and ASB for the period July 1, 2012 through June 30, 2013, and Purchase Card for the period October 16, 2012 through June 15, 2013. 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
S. Weir

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

Audit Report
Franklin Elementary School
Purchase Card

December 18, 2013

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 October 16, 2012 through June 15, 2013.

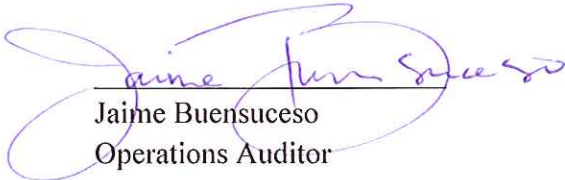
Audit Findings Summary


1. The purchase card was used to purchase gifts for volunteers.
2. The value of awards given to the students exceeded the \$25.00 minimal value of awards authorized by the district.
3. Use/Sales tax was not reported.
4. Two purchases totaling \$62.76 did not have adequate supporting documentation.

Conclusion

In our opinion, the Purchase Card financial activities at Franklin Elementary School from October 16, 2012 to June 15, 2013, 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. The purchase card was used to purchase gifts for volunteers.

In April 2013, the prior principal approved the use of the purchase card to buy (70) Mini LED Flash and pen set, and (2) mugs totaling \$203.53 as gifts to volunteers.

The Purchase Card Policies and Procedure Manual stated “Any item purchased as a gift or reward for a staff member or anyone else who is not a student constitutes a gift of public funds and is strictly prohibited.”

Recommendation:

We require that the purchase card should not be used to purchase gift or reward for a staff member or anyone else who is not a student.

2. The value of awards given to the students exceeded the \$25.00 minimal value of awards authorized by the district.

The former principal who is currently assigned to Chesterton Elementary School awarded three students for perfect attendance the following items.

a. iPad mini WI-FI 16GB	\$ 359.39
b. iPod Touch 8GB	197.29
c. iPod shuffle 2 GB	65.50

The above awards exceeded the \$25.00 minimal value of awards authorized by the district.

District Procedure No. 2518, section C.3. states “Expenditure from the district General Fund or special project funds (if authorized in a project plan) may be made for the following types of expenses and/or activities that are necessary to conduct district business without the use of an “Explanation of Noninstructional Expense” form but with prior approval of the site or department head:

- a. Awards for students such as certificates, plaques, trophies, flowers, and gifts of minimal value not to exceed \$25.00 per unit. These items may be purchased through the Revolving Cash Fund, with the procurement card, the business and travel claim form, or the grocery invoice form, as applicable.”*

Recommendation:

We require that the awards given to the students should not exceed the minimal value of \$25.00 per unit.

3. 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 10/28/2012 to 6/7/2013 totaling \$4,876.26 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.

4. Two purchases totaling \$62.76 did not have adequate supporting documentation.

Two purchases made on 5/13/13 and 6/3/13, in the amount of \$19.58 and \$43.18 respectively were supported by substitute transaction receipts from the bank in lieu of the original receipt from the vendor.

The substitute transaction receipt showed the total charge but did not indicate the description and quantity of the items purchased. As a result, we were not able to validate the appropriateness of the transaction.

Recommendation:


The cardholder should obtain a duplicate copy of missing invoice from the vendor.



San Diego Unified
SCHOOL DISTRICT

Mitzi Merino
Area 5 Superintendent
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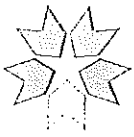
TO: W. Stephen Carr

FROM: Mitzi Merino 

DATE: December 5, 2013

RE: Franklin Elementary School Time & Labor Audit, Associated
Student Body Audit, and Purchase Card Audit

The Office of Internal Audit identified three (3) findings in the area of time and labor, four (4) findings in the area of ASB, and four (4) findings in the area of purchase card that need corrective action. I have reviewed Magdalena Tavasci's responses to the recommendations made by the Office of Internal Audit and I am confident she will follow through with the actions outlined.



Magdalena Tavasci, Principal
P- 619.344.3000
F- 619.344.3040

TO: Jaime Buensuseco, Operations Auditor
FROM: Magdalena Tavasci, Principal
DATE: December 2, 2013
SUBJECT: RESPONSE TO AUDIT REPORT FINDINGS FOR FRANKLIN ELEMENTARY
FISCAL YEAR 2012-2013 SCHOOL YEAR
CC: Mitzi Merino, Area 5 Superintendent

Payroll Time and Labor Audit

- All errors mentioned in the audit report findings for Time and Labor have been corrected. All employee absences are cross checked by the ESA and principal weekly with the SAMS report and timesheets.
- All Time and labor reports are kept in a binder in an organized manner.
- Both my new ESA and I have attended the Time and Labor training held at the Fremont Training Center earlier this year.

Associated Student Body (ASB)

- With regard to the three checks that were missing, I was shocked to find that a box of blank district checks were left out in the open in the main office when I arrived in July.
- The box of checks are now in a locked cabinet.
- With regard to a check that was released without [REDACTED] signature, I can assure you that I would not allow that to happen under any circumstances.
- Regarding the finding of the lack of supporting documentation for ASB funds, I can assure you that we have a system tightly in place whereby all documentation of receipts, invoices and such are monitored closely and all accounted for by the ESA and principal.
- Regarding the \$3,420.29 monies that staff collected in the year 2012-13, but receipts not provided, I can assure you that we are well aware of the importance of providing receipts and are competent in doing so.
- Regarding #4, for the receipts that had erasures, I can assure you that both my ESA and I are fully aware that erasures are not acceptable and would take every precaution to ensure this does not occur again.
- Both the ESA and I research, review and discuss best ASB business practices on an ongoing basis. We also review the district's administrative procedures, and will periodically audit the account.

Purchase Card

- Regarding #1 and 2, paying for volunteer gifts with the purchase card and going beyond \$25.00 for a student gift, I am fully aware that neither of these actions are acceptable, and therefore would not allow this to happen.

- Regarding #3 with reference to paying the sales, both my ESA and I know the policy regarding sales tax.
- Regarding #4, in reference to the missing original receipts and thus replacing them with the substitute transaction receipts from the bank, both the ESA and I ensure that we obtain duplicate receipts if the originals are ever misplaced. I do not anticipate this happening because we work very closely together to ensure that these careless mistakes do not occur.
- We both attend P-card trainings that are available, and keep abreast of any new changes of the P-card use. We stay in touch with district personnel to ensure that we are well informed at all times.

Summary

Thank you for responding to my request to conduct a complete audit of the ASB account, Time and Labor and the Purchase Card. I am appreciative of your hard work and support with this matter.

It is our most sincere and diligent intent to maintain all finances at Franklin Elementary in excellent order at all times.

I am confident that with the ESA that is now in place at Franklin that we will continue our team work on site and with the central office to ensure impeccable record keeping of all school finances at Franklin Elementary School.

Respectfully,

Magdalena Tavasci

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