



TO: Gilbert Gutierrez
Area Superintendent

FROM: W. Stephen Carr *WSC*
Director of Office of Internal Audit

DATE: May 15, 2012

RE: San Diego High School of Communication Investigations in a Multicultural Atmosphere (CIMA) Purchase Card Audit

An audit of the Purchase Card financial operations was conducted at San Diego High School of CIMA for the period July 1, 2010 through June 30, 2011. The audit report contains information regarding the audit findings and recommendations.

Enclosed is a copy of the audit report and site administrator's response. The site administrator was responsive to all of our recommendations and corrective actions had been taken or planned.

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

c. Members, Board of Education
W. Kowba
N. Meyer
L. Schoenke
B. Rhinerson

e-mail report: Members, Audit committee
J. Salkeld
S. Freedman
J. Macalos
M. Hudson



San Diego High School of Communication Investigations in a Multicultural Atmosphere

Purchase Card Audit Report

March 2, 2012

Introduction

An audit was performed on the purchase card financial operations at San Diego High School of Communication Investigations in a Multicultural Atmosphere (CIMA) for the period July 1, 2010 through June 30, 2011.

San Diego High School of CIMA has one purchase card. The total purchase card purchases from July 1, 2010 through June 30, 2011 were \$14,755.93. The Cardholder purchase card has a single purchase limit of \$500, a daily limit of \$1,000 and a monthly spending limit of \$2,500. The Approving Official responsible for the audit period covered is now assigned to Human Resources.

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, 2010 through June 30, 2011.
- 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. The cardholder split a purchase totaling \$902.57 in violation of the Purchase Card Policy and Procedure.
2. The school purchased food in violation of the 2010-11 Spending Guidelines.
3. Card purchases totaling \$1,508.11 lack proper supporting documentation.
4. An "Explanation of Non-instructional Expenses" form was not prepared for five food purchases exceeding \$200.00 each.
5. The reporting of "use tax" for out of state vendors was not properly performed.


Conclusion

The audit findings for the purchase card financial operation at San Diego High School of CIMA for the period July 1, 2010 through June 30, 2011 require that administration implement an improvement in the control of supporting documents and compliance to district policy governing the credit card use.

Supporting documents, such as original invoices and receipts must be kept on file to minimize the risk of errors and irregularities.

Administration must follow policies governing card use for purchases requiring compliance to higher level administrative approval, prior to making restricted purchases.

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



Ines G. Abitria
Operations Auditor



W. Stephen Carr
Director, Office of Internal Audit

Audit Findings and Recommendations

1. The cardholder split a purchase totaling \$902.57 in violation of the Purchase Card Policy and Procedure.

The cardholder used the district's purchase card to pay for copy services by splitting the payments and circumventing the single purchase limit as follows:

Transaction Date	Vendor/Description	Invoice Amount	Payment Amount
06/18/2010	Copy2Copy	\$902.57	
06/29/2010	Copy2Copy-graduation expense		\$500.00
06/30/2010	Copy2Copy-graduation expense		402.57
	Total	\$902.57	\$902.57

- **Per Purchase Card Policy and Procedures, "Any single transaction exceeding cardholder's single transaction limit as established and approved by the Program Administrator is prohibited. Splitting the purchase of a high cost item in order for it to be accepted by the VISA system will result in immediate and permanent revocation of cardholder privileges."**

Exceptions to the standard limits may be granted under certain circumstances upon approval from your Approver, your Area Superintendent or Division Head, the Chief financial Officer and the controller by completing the "Purchase Card Limit Request Procedure" form.

Recommendation

We recommend that the cardholder and the approving official are to review the Purchase Card Policy and Procedures for prohibited purchase before making any purchase.

Fiscal Control is to make a note of this violation and to effect the necessary action relative to the cardholder.

2. The school purchased food in violation of the 2010-11 Spending Guidelines.

Food was purchased using the District's purchase card on three instances totaling \$275.09 in violation of the 2010-11 spending guidelines as follows:

Date	Vendor	Description	Amount
11/17/2010	Quizno's Sub	English Professional Development	\$130.00
11/18/2010	El Pollo Loco	English Professional Development	45.09
02/03/2011	Papa Johns	English Professional Development	100.00
		Total	\$275.09

- **Per 2010-11 Spending Guidelines item 9. Food Purchase Restrictions for Events or Functions states "Suspension of all food purchases for events or functions unless specifically tied to parent involvement or student achievement activities."**

Recommendation

We recommend that the cardholder and the approving official are to review the Purchase Card Policy and Procedures for prohibited purchase before making any purchase.

Fiscal Control is to make a note of this violation and to effect the necessary action relative to the cardholder.

3. Card purchases totaling \$1,508.11 lack proper supporting documentation.

We examined the supporting documentation for all card purchases for the period July 1, 2010 through June 30, 2011. Our review of the purchase card supporting documents revealed that \$1,508.11 or 11% of the total card purchases did not have proper supporting documents.

Specifically, we noted the following:

Date	Vendor	Amount	Support
08/26/2010	Papa Johns	\$300.00	Credit card slip
09/02/2010	Papa Johns	280.00	Credit card slip
10/21/2010	Mclogan Supply Co.	74.49	Facsimile
11/05/2010	Papa Johns	210.00	Credit card slip
11/17/2010	Papa Johns	160.00	Credit card slip
11/20/2010	Vwr International Inc.	175.39	Different invoice amount
01/14/2011	Papa Johns	180.00	Credit card slip
01/23/2011	Papa Johns	75.00	Credit card slip
02/10/2011	Vwr International Inc.	53.23	Different invoice amount
	Total	\$1,508.11	

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 Audits and Investigations for review.

4. An “Explanation of Non-instructional Expenses” form was not prepared for five food purchases exceeding \$200.00 each.

Our review of the purchase card transactions from July 1, 2010 through June 30, 2011 revealed that five food purchase totaling \$1,531.53 exceeded \$200.00 without an “Explanation of Non-instructional Expenses” form.

Specifically, we noted the following:

Date	Vendor	Amount
08/06/2010	Papa Johns	\$300.00
08/26/2010	Papa Johns	300.00
09/02/2010	Papa Johns	280.00
11/05/2010	Papa Johns	210.00
06/03/2011	Pizza Hut	441.53
	Total	\$1,531.53

- **District Procedure No. 2518 states that “An “Explanation of Non-instructional Expenses” form must be completed and approved by the appropriate department head for expenses totaling more than \$200.00 prior to any payment of expenses incurred at district-sponsored events.”**

Recommendation

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

An “Explanation of Non-instructional Expenses” form for special activities requiring food purchase for more than \$200.00 must be prepared and approved by the appropriate department head. The approved form must be attached to the purchase card receipt.

5. 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 three card purchases did not include sales tax for the following:

Date	Vendor	Use Tax
02/23/2011	Mscn-Fmd-Wb	\$9.76
02/25/2011	Laser Karaoke	8.74
06/14/2011	U.S. School Supply	5.63
	Total	\$24.13

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

Recommendation

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.



To: Gilbert Gutierrez

From: Dianne Cordero

Date: 5/3/12

RESPONSE TO SDHS School of Communications Purchase Card Audit

Please find the response to the Procurement Card Audit findings below:

- 1. The cardholder split a purchase totaling \$902.57 in violation of the Purchase Card Policy and Procedure.**

The district purchase card will not be used for any purchase in violation of the Purchase Card Policy and Procedure. The approving official and the cardholder are to review District Procedures for prohibited purchases before using the purchase card.

- 2. The school purchased food in violation of the 2010-11 Spending Guidelines.**

The approving official and the cardholder are to review District Procedures for prohibited purchases before using the purchase card.

- 3. Card purchases totaling \$1,508.11 lack proper supporting documentation.**

All future expenditures will be supported by a paid receipt or an invoice. The cardholder is working to obtain the missing invoices from the vendors. The approving official and cardholder are to review and comply with District Procedure for use of district purchase cards.

- 4. An "Explanation of Non-instructional Expenses" form was not prepared for five food purchases exceeding \$200.00 each.**

An "Explanation of Non-instructional Expenses" form for all future special activities requiring food purchase for more than \$200 will be prepared, approved by appropriate department head, and attached to the purchase card receipt.

- 5. The reporting of "use tax" for out of state vendors was not properly performed.**

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