



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 Media, Visual and Performing Arts (MVPA)
Purchase Card Audit

An audit of the Purchase Card financial operations was conducted at San Diego High School of MVPA 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 Media, Visual and Performing Arts

Purchase Card Audit Report

March 5, 2012

Introduction

An audit was performed on the purchase card financial operations at San Diego High School of Media, Visual and Performing Arts (MVPA) for the period July 1, 2010 through June 30, 2011.

San Diego High School of MVPA has one purchase card. The total purchase card purchases from July 1, 2010 through June 30, 2011 were \$11,189.38. 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.

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. Card purchases totaling \$158.09 had no supporting documentation.
2. Card purchases totaling \$1,308.86 lack proper supporting documentation.
3. An "Explanation of Non-instructional Expenses" form was not prepared for a two food purchases exceeding \$200.00 each.
4. 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 MVPA 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's reporting.

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. Card purchases totaling \$158.09 had no supporting documentation.

We reviewed the card purchases from July 1, 2010 through June 30, 2011. The total card purchases were \$11,189.38. Of the total card purchased, \$158.09 or 2% did not have supporting document. As a result, the lack of adequate documentation prevented verification and assurance that all purchases were valid uses of District funds.

Specifically, we noted the following:

Date	Vendor/Description	Amount
08/27/2010	Starbucks-Coffee with principal	\$36.00
03/22/2011	Smart & Final-Testing	122.09
	Total	\$158.09

In order to determine the appropriateness of the purchase, a receipt must exist that identifies the description, quantity and price of the item purchased. Receipts are an essential part of internal control and must be retained and safeguarded.

Recommendation

All expenditures must be supported by a paid receipt or an invoice. The Cardholder needs to request the missing 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.

2. Card purchases totaling \$1,308.86 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 \$1,308.86 or 12% of the total card purchases did not have proper supporting documents.

Specifically, we noted the following:

Date	Vendor	Amount	Support
11/03/2010	Pso Band Shoppe	\$199.80	Packing slip
02/10/2011	Staples direct	489.28	Order form/Photocopy
03/21/2011	Grab & Go Subs	130.50	Credit card slip
03/29/2011	Staples	489.28	Order form/Photocopy
	Total	\$1,308.86	

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.

Recommendation

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.

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

Our review of the purchase card transactions from July 1, 2010 through June 30, 2011 revealed that there were two food purchases totaling \$1,177.26 that exceeded \$200.00 without an “Explanation of Non-instructional Expenses” form.

Specifically, we noted the following:

Date	Vendor	Amount
05/19/2011	In-N-Out Burger	\$277.26
06/10/2011	El Torito	900.00
	Total	\$1,177.26

An “Explanation of Non-instructional Expenses” form must be completed and approved by the appropriate department head prior to any payment of expenses incurred at district-sponsored events.

Recommendation

The principal as administrator is responsible to institute practices that has 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.

4. 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 six card purchases did not include sales tax for the following:

Date	Vendor	Use Tax
08/19/2010	Positive Promotions	\$18.04
09/24/2010	Makemusic Inc.	20.83
09/27/2010	Partybanners.com	22.82
11/02/2010	Dramatic Publishing Co.	11.37
11/03/2010	Pso Bank Shoppe	17.48
11/04/2010	Pso Bank Shoppe	23.86
		\$114.40

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

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.



San Diego Unified
SCHOOL DISTRICT

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To: Gilbert Gutierrez

From: Consuelo Manriquez

Date: 5-12-12

RE: Response to Purchase Card Audit Report from Media, Visual, and Performing Arts

Audit Findings Summary and Response

1. Card purchases totaling \$158.00 had no supporting documentation.
 - a. Purchase date: 8/27/10 - Starbucks - Amount \$36.00 Receipt was damage beyond use by coffee spill. My secretary attempted to get another copy of the receipt but they did not produce a copy.
 - b. Purchase date 3/22/2011 - Smart & Final - Testing for \$122.09 Receipt was probably discarded by mistake.

Cardholder will contact vendor when a receipt is damaged or missing.

2. Card purchases totaling \$1308.86 lack proper supporting documentation.
 - a. Purchase 11/03/10 for Pso Band Shoppe - for \$199.80 - Order and payment was made by phone. The vendor used the packing slip as a receipt. Secretary called and they mail a second packing slip with a "Stamp" paid on it.
 - b. Purchase 2/10/11 - Staples direct \$ 489.28 - Order was placed over the phone for Sony Cassette Recorders for AP exams. Order was done on the internet and no invoice was sent. Secretary filed the order slip since that was the only record provided by the vendor.
 - c. Purchase 3/21/11 Grab and Go for \$130.50 - This was a tray of sandwiches for our Parent Volunteer event. Order was processed when the ticket was given to Admin. She requested a different type of receipt because the one given was only the Credit card slip. The cashier said that this is all they have because they use a note pad to take order. Since then we have not purchase anything from that vendor since no itemized receipts are provided.
 - d. Purchase 3/29/12 - Staples direct \$ 489.28 - Order was placed over the phone for Sony Cassette Recorders for AP exams. Order was done on the internet and no invoice was sent. Secretary filed the order slip since that was the only record provided by the vendor.

Cardholder will contact vendor when a receipt is not supplied by the vendor.

3. An Explanation of non-instructional Expenses" for was not prepared for a two food purchases exceeding \$200.00 each.
 - a. Purchase 5/19/10 - In-N-Out Burger for \$277.26 - Student CAHSEE Award
 - b. Purchase \$900.00 - Catering services for Mariachi Parent Event.

Cardholder did not know that an additional form is needed for purchases over \$200.00 in the future administrative aide will submit a form to approve purchase of over \$200.00 for food purchases.

4. The reporting of use tax for out of state vendors was not properly performed.
 - a. Cardholder indicated that the tax was included by the vendor in a total of 6 purchases. However the receipts indicated that the purchases did not include tax sales.

Cardholder will carefully review receipts and make the necessary annotation when the tax is not included.

The principal will require that cardholder will implement an improvement in the control of supporting documents and compliance to the district policy governing the credit card's reporting.