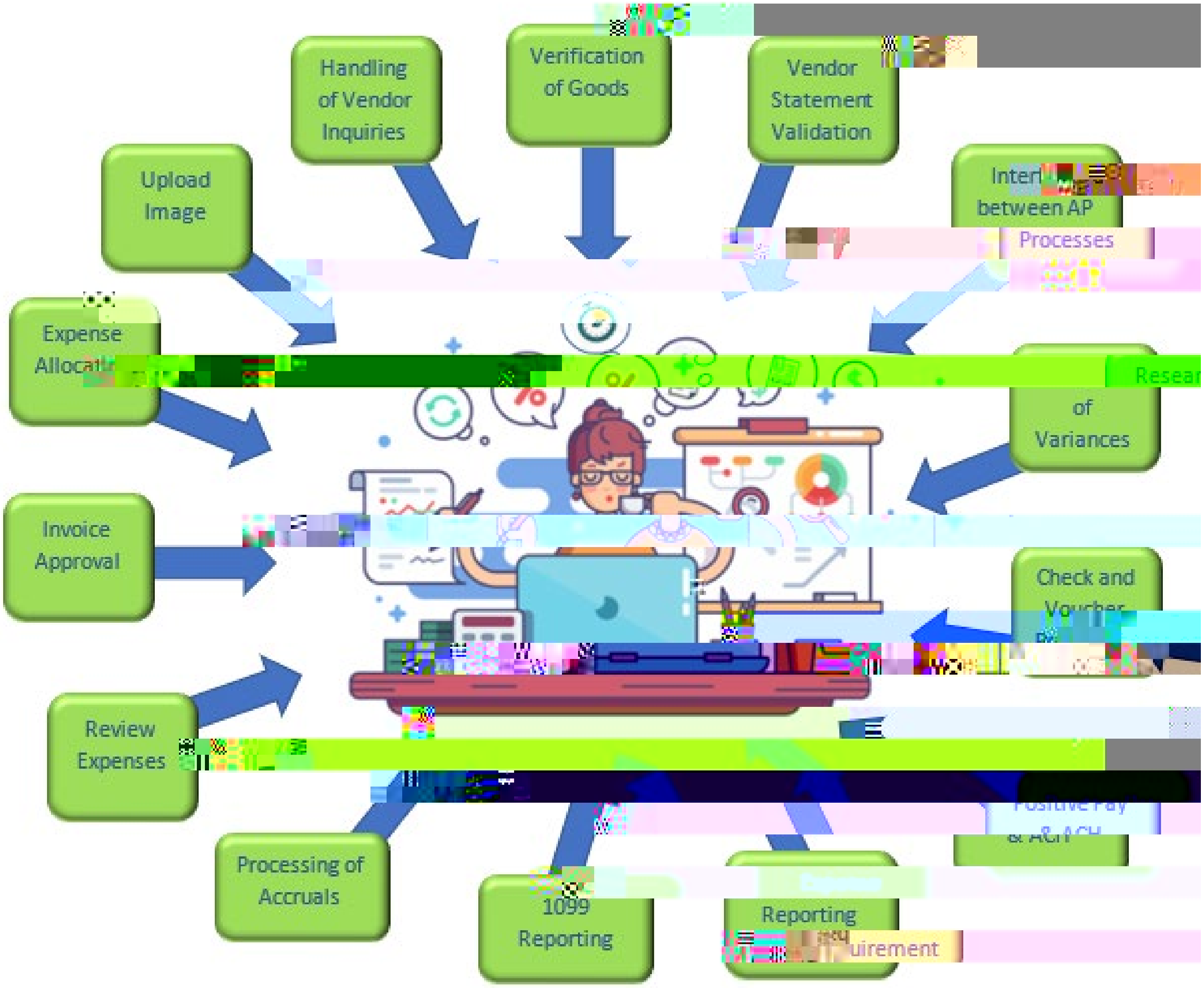
TUCSON UNIFIED
SCHOOL DISTRICT

Accounts Payable Department

Internal Audit Report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REPORT #: 005_FY2021-2022
MARTHA SMITH
INTERNAL AUDITOR

Tucson Unified School District | 1010 E. Tenth Street, Tucson, AZ, 85719
Desk Phone 520-225-6073

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OVERVIEW

BACKGROUND

Tucson Unified School District (District) has a centralized accounts payable division; it manages

Excluded from this internal audit were payments unrelated to W-9 vendors, benefits managed by Human Resources, Payroll, and transactions not processed through the AP department.

Results of the internal audit were obtained by evaluating the department's activities to determine compliance with applicable district policies, procedures, regulations, laws, state standards and guidelines.

Applicable observations and findings were communicated to the account's payable manager during the exit meeting to confirm, verify, and obtain clarification were necessary.

Opportunities for improvement are ld7.2.003 TcU960-6.1 (2.003 T)11.2 v2l.004 Tc -1l04 Tc 3.-2.5 (o)-6.1 (r) d c

Criteria: United States Government Accountability Office – GAO - Sales Taxes "In 1992, the Supreme Court ruled in Quill v North Dakota that a state can only require a business to collect and remit sales tax if the business has substantial presence, referred to as nexus, in that state. However, the decision stated that Congress could pass legislation to overrule this limitation. In general, under present law, if a seller does not have nexus in a state, and therefore does not collect tax, then a purchaser is required to pay a use tax in the same amount to his or her state government."[2]

State of Arizona House of Representatives. House Bill (HB) 2757 -"Arizona is an origin-based sourcing; this means, the vendor is responsible for applying the TPT rate determined by the ship-from address on all taxable sales." Furthermore, the bill "introduced a new economic (dollar-based) nexus standard for businesses that have no physical presence in the state.[3]"

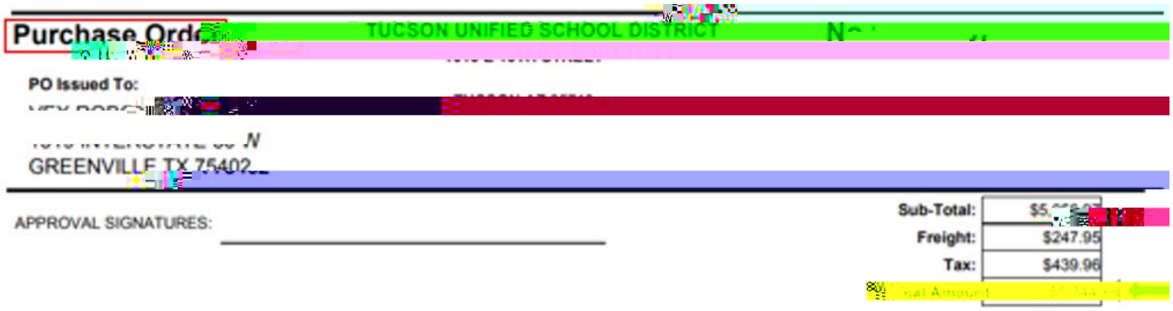
Arizona Department Of Revenue (ADOR) Publication 610 - Use Tax- : "… The use tax is imposed upon the purchaser of tangible personal property which is used, stored, or consumed in Arizona when the sale was not subject to the transaction ubject to T i d (upo2 T 85.-0.121 T1 (p)06

Cause: The department manual does not differentiate distribution of added cost to non-taxable or non-shippable line items. P-0.033 993t 323 Tc 0t 323 Tj 0c 0t0 Td 21 /Pagination >>BDC -21.446 -6

OBSERVATIONS

SampleSize 233		
Transactions	Finding	Description
192		

Purchase order reflects sales tax at 8.7%; however, this is an out of state vendor.



Purchase Order

TUCSON UNIFIED SCHOOL DISTRICT

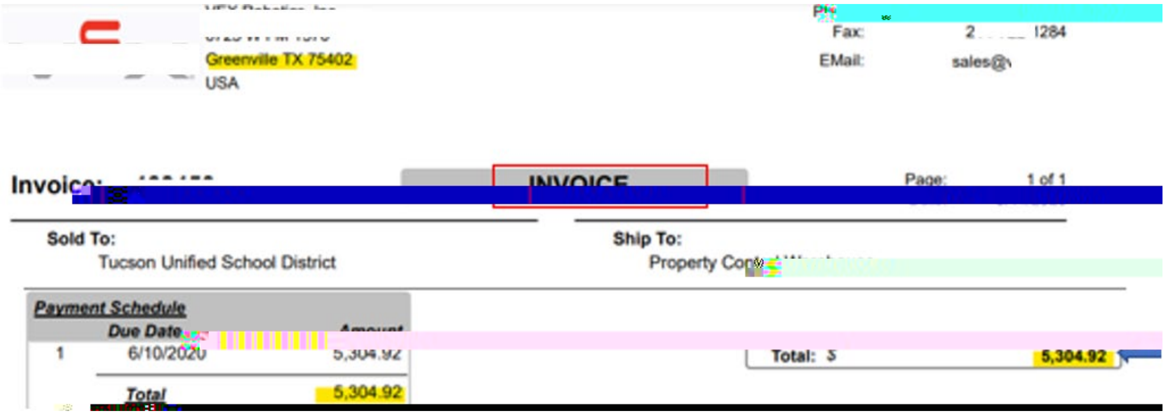
PO Issued To:

GREENVILLE TX 75402

APPROVAL SIGNATURES:

Sub-Total:	
Freight:	$247.95
Tax:	$439.96

iVisions reflects tax payment of $439.96, an 8.7% sales tax, not the 10% shown on the iVisions screeen, nor the use tax of 5.6%.



Greenville TX 75402
USA

Fax:
EMail:

Invoice:

INVOICE

Page: 1 of 1

Sold To: Tucson Unified School District

Ship To: Property Co

Payment Schedule

	Due Date	Amount
1	6/10/2020	5,304.92
	Total	5,304.92

Total: $ 5,304.92

The system does not automatically change/update the sales tax percentage from its defaulted 10% sales tax

Cause: iVisions does not automatically update initial sales tax

Cause: Accounts Payable Management is aware the department's manual needs to be updated. The delay in updating the manual ha( )Tj EMC ET 0s

CONCLUSION

The audit was performed to determine the Accounts Payable department's compliance with applicable standards and regulations. The objectives were designed to assist with the evaluation of the department's overall operation, including but not limited to, their efficiency of their processes, implementation of procedures, and strength of their internal controls. The objectives were achieved by conducting interviews, reviewing transactions, analyzing data, testing internal controls, and assessing applicable policies and procedures. Observations resulting from the tested sample have been listed in the body of this report; they indicate areas in need of improvement to minimize risks and enhance overall compliance.

Internal audits can only provide reasonable assurances, never absolute assurances, on audits performed.

The OIA findings are based on district policies, department's handbook for standard operating procedures, applicable guidelines, and governing standards.

A follow up audit may be conducted within six months from the date of the final report.

ACKNOWLEDGMENT

The Office of Internal Audit wishes to express its appreciation to the manager and staff of the Accounts Payable department and the manager of the Accounting Department for their time and assistance during this audit.

Management's responses were provided in a separate document; they can be found at the end of this report.

Report No. 005 SY 2021-2022; scheduled to be provided to the Governing Board on April 25, 2022.

Martha Smith __ _4/25/2022
Martha Smith Date
Internal Auditor

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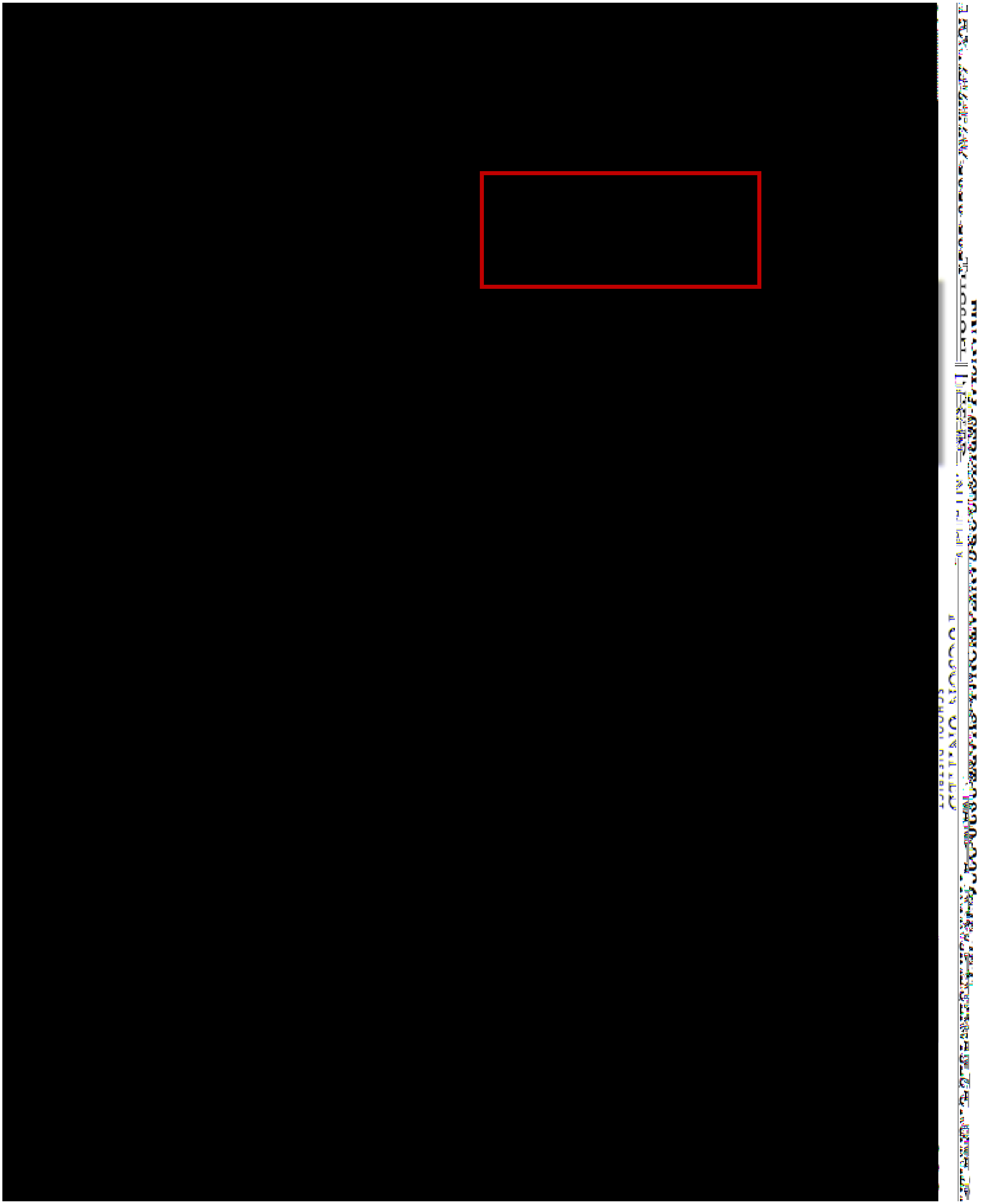
FIGURE 1

APPENDIX-A


TUCSON UNIFIED
SCHOOL DISTRICT

MP **Nanonets** - Image 3- Three-way match retrieved from nanonets automated data capture

MC **USFR** - V-B–1- Introduction- “Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies,

GLOSSARY

Best Practice - "A procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption" Defined by Merriam Webster

Blanket Purchase Order "A blanket order, blanket purchase agreement or call-off order[1] is a purchase order which a customer places with supplier to allow multiple delivery dates over a period of time, often negotiated to take advantage of predetermined pricing. It is normally used when there is a recurring need for expendable goods. Blanket orders are often used when a customer buys large quantities and has obtained special discounts [illegible]

Internal Control – “A plan of organization under which employees' duties are arranged, and records and procedures are designed, to make it possible to exercise effective control over processes. Internal control procedures which call for proper authorizations by designated officials for all actions performed that must be specified and followed.” https://global.theiia.org

Market Basket – “A market basket or

Transaction Privilege Tax (TPT) – "This is a tax placed on the vendor for the privilege o

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Internal Audit Draft Report – Responses 4/25/2022

Audit Observations and Recommendations

Accounts Payable District Policy

Will contact Legal to develop an AP Policy

Equal Disbursement of Taxes

There is a written process about taxable and non-taxable items. I will add it to the AP manual

AP already distributes the tax/shipping against the appropriate lines. I will uw56uh[T lies. Ḱo Xap O A

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