



# City of San Antonio

## Agenda Memorandum

**File Number:**15-2049

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**Agenda Item Number:** 4.

**Agenda Date:** 3/17/2015

**In Control:** Audit Committee

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### **AUDIT COMMITTEE SUMMARY**

**March 17, 2015**

**Pre K 4 SA - Fiscal Compliance**

Report Issued January 9, 2015

### **Background**

In August 2012, City Council passed a resolution creating the San Antonio Early Childhood Education Municipal Development Corporation (MDC), commonly known as Pre-K 4 SA. In 2013, the MDC adopted an eight-year budget that included funding for four education centers, administrative staff, teachers, and operations staff. Two of the centers opened for the 2013/2014 school year, while the other two became operational for the 2014/2015 school year.

The program received \$30.5 million in sales tax revenue during its first fiscal year (July 2013 to June 2014). Other program revenue received during the year included \$1.5 million in state funding for students enrolled through participating school districts and \$242 thousand in monthly tuition payments for students who were not eligible for state-funded tuition.

### **Objective**

Determine if Pre-K 4 SA operations are managed in compliance with City fiscal policies.

### **Audit Scope**

The audit period was July 1, 2013 through June 30, 2014. The audit scope included expenditures and revenues related to contracts and agreements, as well as overall compliance with COSA Administrative Directives and fiscal policies/procedures during this period.

### **Methodology**

We interviewed staff, observed cash handling processes and reviewed student enrollment files and procedures to obtain an understanding of fiscal processes. We reviewed and analyzed data and supporting documentation associated with internal financial reports, program revenue and expenditures, student attendance, tuition rates, and office and classroom supplies inventory. Additionally we tested user account access and user roles for the Texas Enterprise Information System (TxEIS), which is used to track student attendance

## Audit Conclusions

Yes, Pre-K 4 SA is managed in compliance with fiscal policies. The department has made progress in implementing controls to ensure the effective management of the program's finances. There were no material deficiencies noted; however, we identified the following administrative areas that need improvement:

- Contract monitoring controls were not fully established to ensure that the receipts of goods and services paid for were actually received. Additionally, evidence of appropriate review and approval was not documented for several payments tested.
- Duties relating to cash handling and review of journal entries were not appropriately segregated.
- Corporate and individual contributions were not formally processed or tracked per the City's donation and contribution administrative directive and related accounting standards.

Pre-K 4 SA management agreed with our recommendations and has developed positive action plans to address them.