



November 30, 2017

MEMORANDUM

To: Kasandra Lassiter, Ed. D., Instructional Director
Cluster 4

Veonca Richardson, Ed. D., Principal
Andrew Jackson Academy

From: Michele Winston, CPA, Director
Internal Audit



Re: Financial Audit for the Period May 1, 2013 through September 30, 2017

An audit of the financial records of Andrew Jackson Academy was completed for the period May 1, 2013 through September 30, 2017. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education (BOE) policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan within **30** days, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, Attention: Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org.

This report is intended solely for information and use of the Board Chair and Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended to be and should not be used by anyone other than the specified parties.

Enclosure

cc.

Kevin Maxwell, Ph. D., Chief Executive Officer of Schools
Segun Eubanks, Ed. D., Board Chair
Carolyn Boston, Vice Chair, Board of Education
K. Alexander Wallace, Board of Education, District 7
Erica Berry Wilson, Esq., Executive Director, Board of Education
Monique Whittington Davis, Ed. D., Deputy Superintendent
Denise Greene, Ed. D., Associate Superintendent, Area I
Michael Dougherty, Director, Financial Services
Theodore Dzodzomenyo, Internal Auditor II

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Andrew Jackson Academy for the period May 1, 2013 through September 30, 2017. Andrew Jackson Academy's Principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following:

- *Mismanagement of Funds Received*
- *Excessive Spending in Principal Sponsored Activities Fund Account*
- *Yearbook Refunds*
- *Depository Safe Not on School Premises*
- *Unapproved Void Check Proof Sheets*
- *Inadequate Inter-Fund Transfers*
- *Fundraiser Forms Not Completed*
- *Improvement Needed in Management Oversight*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) Policies and Procedures and the requirements of the Accounting Procedures Manual (APM) for School Activity Funds.

In our opinion, except for the deviation from the criteria described in the preceding paragraph, the SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended September 30, 2017.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit on the student activity funds for Andrew Jackson Academy for the period May 1, 2013 through September 30, 2017. The audit was conducted as part of the annual audit plan.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in the accompanying transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and to determine whether the school was in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit report focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

SCOPE

The audit was based on our review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period May 1, 2013 through September 30, 2017. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2018.01: Mismanagement of Funds Received

The following exceptions pertaining to the management of funds received were identified:

- A. ***Delinquent Deposits*** - There were **10** instances during the audit period (FY 2016 - **2**, FY 2017 - **7** and FY 2018 - **1**) where deposits were not made timely. SAF collected were held up to **16** days before the deposits were made.
- B. ***Inadequate Documentation of Funds Received*** - There were **8** instances during the audit period (FY 2016 - **4**, FY 2017-**3** and 2018 - **1**) where funds received did not include sufficient documentation to substantiate deposits. Reports for concessions, gate receipts and bookfair receipts were not available for review in these instances.
- C. ***Monetary Transmittal Forms*** - MTF remittances for FY 2017 could not be located for review.

The APM provides the following guidelines regarding the administration of funds received:

- A. Section 4.5.2.2, bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight. The APM also prohibits staff members from holding funds overnight.
- B. Section 4.5.2.2, requires completion of MTFs with the following information: 1) individual collecting funds; 2) date of collection; 3) source of collected funds; 4) the amount and form of the collection; and 5) the purpose of collection. The exact composition of the funds and the total amount being remitted to the bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report.
- C. According to the APM Section 6.12, *Record Retention*, all SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. Also according to the APM, each staff member who collected SAF is responsible for maintaining an envelope containing both pink and yellow copies of MTF remittances generated during the year. The staff member is required to submit the signed, sealed envelope to the designated administrator prior to the

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year-end check out. The envelopes should remain sealed until requested by Internal Audit.

The following explanations were provided for the occurrence of noncompliance with the requirement for administering SAF:

- A. According to the bookkeeper, some of the funds were not deposited within the required time period because she was either alone in the office without someone to be responsible in her absence or may have received the funds too late to get to the bank before closing.
- B. The staff members did not prepare the required concession and gate receipts reports and the staff member who was in charge of the bookfair was not aware of the requirement to prepare daily sales report to substantiate book sales. Also, the financial secretary did not request the appropriate supporting documentation from staff members.
- C. The principal explained that, the MTFs were collected at the end of year and were placed in the vault. However, all attempts to locate the MTF envelopes have been unsuccessful.

Mismanagement of funds received constitutes non-compliance with BOE policies and procedures and increases financial risk to the school.

- A. Untimely deposits constitute a compromise of internal controls and violate the school's cash management responsibilities outlined in the APM.
- B. Lack of sufficient supporting documentation reduces the assurance that collections were recorded appropriately and in accordance with the prescribed policy.
- C. The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

Recommendation: The following steps must be taken to ensure SAF is administered in accordance with requirements of the APM:

- A. The bookkeeper should use the overnight deposit facility when she is unable to get to the bank before close of business or the funds should be given to the principal to deposit. The principal should establish and enforce a time by which funds collected must be remitted by staff members.

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- B. Staff members must be reminded that, adequate supporting documentation should accompany funds remitted to the bookkeeper. Such documentation must include accounting for concessions and gate receipts e.g. documentation of the number of items sold and sale prices, and gate receipts report for sporting events. The documentation must match the amount remitted. Staff given oversight for the bookfair should be held accountable for preparation of daily bookfair sales reports and submission with the remittance.

- C. The principal, designee, or staff assigned other than the bookkeeper should ensure that end of year MTFs remain in sealed envelopes until reviewed by Internal Audit. The year-end MTFs should be retained in a place that is not accessible to the bookkeeper.

2018.02: Excessive Spending in Principal Sponsored Activities Fund Account

The Principal Sponsored Activities (PSA) Fund Account had a deficit of **(\$2,344.23)** as of September 30, 2017. This was a reduction of \$8,316.95 from the previous audit period (April 30, 2013) which indicated a deficit of **(\$10,661.18)**.

The APM requires expenditures for authorized principal-sponsored activities to be restricted to:

1. One hundred percent (100%) of vending commission from machines located in the staff lounge;
2. Twenty-five percent (25%) of vending commissions from student-accessed machines up to the first \$50,000 and then 10% of any amount exceeding \$50,000. These percentages do not apply to sponsorships or signing bonuses that vending companies may offer;
3. Fifteen percent (15%) of school-wide fundraiser profits, including picture commissions;
4. Up to twenty-five (25%) percent of senior class residual funds.

The previous principal incurred staff related expenses without regard for the availability of funds in the account. The school had discontinued expenditures from these accounts but resumed spending during the FY 2017 school year. The students did not receive the maximum benefit from funds that should have been available to them.

Recommendations: The principal should evaluate all potential expenditures with regard to the availability of resources. Care must also be exercised to ensure resources are expended in accordance with requirements of the APM. The principal should cease spending on principal-sponsored activities until the deficit is resolved.

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2018.03: Yearbook Refunds

During FY 2017, there were 8 students and staff members that paid \$200.00 (\$25.00/each) towards purchase of yearbooks. The yearbooks were not produced and students were not refunded.

APM Section 4.3 *Fund Accounts* states that restricted funds are raised by a specific group and/or for a specific purpose and are used exclusively for that purpose and not for general needs of the school. In the event that a restricted activity is cancelled, the collected funds should be refunded to the individuals from whom collection were received.

The bookkeeper explained that the funds were received in anticipation of preparing the yearbook. The yearbook activity was subsequently cancelled by the yearbook coordinator. There were no requests for refunds made to the bookkeeper. The school is holding on to funds that were obtained for a school activity that was never realized. The amount of available receipts posted for yearbooks in FY 2017 is overstated.

Recommendation: The principal should immediately instruct the bookkeeper to issue refund checks to individuals who paid for yearbooks.

2018.04: Depository Safe Not on School Premises

The school does not have a drop safe to secure funds collected from staff members in the absence of the bookkeeper and principal. The school uses a locked file cabinet to hold un-deposited funds.

According to the APM Section 4.5.2.2 (2), *Guidelines for Bank Deposits*, depository (drop) safes are required for every school. The safe should be bolted to the floor and placed in a location accessible to staff which will facilitate remitting funds in the bookkeeper's absence. A log should be maintained where staff members record their name and the date of the 'drop.' The money should be sealed in an envelope with the completed, signed MTF enclosed. On the following day, the staff member dropping off money should make sure the Bookkeeper has a record of the deposit. Money should never be dropped without a Monetary Transmittal Form.

The bookkeeper was not aware that the school is required have a drop safe to securely store funds and allow staff members the opportunity to remit funds when the bookkeeper is not available. SAF is compromised when items of value cannot be properly secured in the absence of the bookkeeper.

Recommendation: The principal should ensure that a drop safe is purchased and installed in a location that is accessible to staff. The principal and bookkeeper should ensure that a log is maintained for the drop safe for recording the details of the

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funds remitted (i.e. staff name, date, and MTF number, amount and staff signature) in accordance with the APM. The bookkeeper must check the drop safe contents daily for any funds that may have been placed inside in her absence.

2018.05: Unapproved Void Check Proof Sheets

There were **8** instances where *Void Checks Proof Sheets* (VCPS) were not approved by the principal.

The 2008 School Accounting Manual Section 4.5.3 on *Cash Disbursements, Voiding Checks*, requires the completion of VCPS that is approved by the principal, noting the check was voided.

The bookkeeper was not aware that VCPS were required to be approved by the principal. The principal and bookkeeper did not follow the policies and procedures specified by the BOE regarding administration of checks. Inappropriate administration of checks exposes the school to fraud, waste, and abuse of its resources. Failure to properly void checks could result in unauthorized check use and negotiation.

Recommendation: The bookkeeper should review the APM to become familiar with the BOE policies and procedures pertaining to voiding checks.

2018.06: Inadequate Inter-Fund Transfers

There were **3** instances where transfers between funds were either not completed appropriately or not approved by the principal.

The APM Section 4.5.4.2 *Transfer of Funds Transfers Between Restricted and Unrestricted/net Accounts* states, "Transfers between restricted accounts are only authorized if reviewed and approved by the principal. Transfers from unrestricted to restricted accounts are not allowed except for the applicable transfers to PSA from vending and/or fundraising activities." For example, 100% of vending commission from machines located in the staff lounge, 25% of vending commissions from student-accessed machines and 15% of school-wide fundraiser profits, including picture commissions.

The principal and bookkeeper were not aware of the policy regarding transfer of restricted funds as indicated in the APM. Transfers made without the principal's approval or inappropriately performed violate BOE policies and procedure. Inappropriate transfers result in misstated financial information presented to administrators for decision-making.

Recommendation: The principal and bookkeeper should ensure that only allowable transfers are completed with appropriate documentation and approval from the principal.

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2018.07: Fundraiser Forms Not Completed

The school held fundraisers during the audit period for which Fundraiser Completion Forms were not prepared. Also, annual reports summarizing fundraising activities for FY2016 and FY2017 were not prepared.

Administrative Procedure 5135.1, *Fundraising* requires the completion of Fundraiser Request and Authorization Forms, the Fundraiser Completion Forms and the Annual Fund Raising Summary Report for fundraising events held by schools.

The bookkeeper was not aware that fundraiser completion reports and annual reports summarizing fundraising activities were required to be completed. Financial records are not complete and profit/loss ratio of fundraisers conducted could not be determined. The school is not in compliance with the Administrative Policy 5135.1 regarding administration of fundraising events.

Recommendation: The bookkeeper should review the APM to become familiar with the BOE policies and procedures and requirements pertaining to fundraisers as documented in Administrative Policy 5135.1.

2018.08: Improvement Needed in Management Oversight

The principal did not exercise proper oversight in the administration of SAF during the current audit period. The previous audit included 7 findings of which 4 are repeated in this audit report.

The APM, Section 3.2.1, *Principals*, states that the principal is the fiduciary agent for SAF. As such, responsibility for accounting, safeguarding and managing the SAF, in accordance with PGCPS policies and procedures, rest solely with the principal.

The principal has not provided adequate attention to the school's checking account to establish and implement effective financial controls. Specifically, the principal and bookkeeper have not taken the time to become familiar with and adhere to the requirements for cash management as outlined in the APM. Financial risks currently exist at Andrew Jackson Academy in the absence of effective management oversight.

Recommendation: The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. She should be consistently involved in the daily operations as it relates to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these 5 basic principles:

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- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documents and Records;
- Limited Access to Assets; and
- Independent Checks on Performance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Andrew Jackson Academy was issued for the period ending April 30, 2013. During that time period, the current principal was in her current position but the bookkeeper was not in her current position. There were 7 reported findings in the previous audit and 4 are repeated in this current report. The following findings were noted as a result of that audit and the current status is indicated.

- **Money Found in Locked Cabinet** - Condition was not noted during this audit
- **Excessive Spending in Principal Sponsored Activities** - Condition still exists. **See Finding 2018.02** regarding *Excessive Spending in Principal Sponsored Activities Fund Account*.
- **Untimely Deposits** - Condition still exists. **See Finding 2018.01** regarding *Mismanagement of Funds Received*.
- **Inadequate Supporting Documentation** - Condition still exists. **See Finding 2018.01** regarding *Mismanagement of Funds Received*.
- **Payment Does Not Equal Support/Overpayment** - Condition was not noted during this audit.
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- **Improvement Needed in Monetary Transmittal Form (MTF) Completion** - Condition was not noted during this audit.
- **Improvement Needed in Management Oversight** - Condition still exists. **See Finding 2018.08** regarding *Improvement Needed in management Oversight*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Andrew Jackson Academy for their cooperation and assistance extended during the audit.