



October 24, 2017

MEMORANDUM

To: Jeffrey Holmes, Ed. D., Instructional Director
Cluster 6

Kimberly Corprew, Principal
Potomac Landing Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for Period October 1, 2014 to August 31, 2017

An audit was completed on the financial records of **Potomac Landing Elementary School** for the period October 1, 2013 to June 30, 2017. The audit results indicate that the school's internal controls have improved but further enhancement is necessary to ensure compliance with board policies. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan within thirty (30) days, indicating steps that will be taken to ensure compliance with the School Accounting Manual. Send your signed action plan to the Internal Audit Office, Sasscer Administration Building. 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: Segun Eubanks, Ed. D., Board Chair
Kevin M. Maxwell, Ph.D, Chief Executive Officer
Monique Whittington Davis, Ed. D., Deputy Superintendent
Carolyn Boston, Vice Chair, Board of Education
Sonya Williams, Board Member, District 9
Raymond Brown, Chief Financial Officer
Denise Greene, Ed. D., Associate Superintendent, Area I
Erica Berry Wilson, Esq., Executive Director, Board of Education
Daniel Reagan, Internal Auditor II

Internal Audit Report

Potomac Landing Elementary School Student Activity Funds

For the Period Ended August 31, 2017

Potomac Landing Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Potomac Landing Elementary School for the period October 1, 2014 to August 31, 2017. Potomac Landing Elementary School'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 findings:

- *Inadequate Approval of Disbursements;*
- *Insecure Location for Funds Awaiting Deposit; and*
- *Fundraiser Forms Not Completed.*

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

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 August 31, 2017.



Michele Winston, CPA
Director, Internal Audit

Potomac Landing Elementary School
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For the Period Ended August 31, 2017

SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Potomac Landing Elementary School for the period October 1, 2014 to August 31, 2017. The audit was performed as part of the annual audit plan.

The audit indicated that the school's financial records and procedures have improved but require further strengthening of internal controls is necessary 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 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 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 selected bank statements, financial reports, available cancelled checks all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period October 1, 2014 to August 31, 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 Inadequate Approval of Disbursements

The following exceptions pertaining to approval of disbursements were identified:

- A. There were **24** instances where approval was not provided by the principal before purchases were made.
- B. There were **24** instances where the bookkeeper did not indicate the amount of available funds in the relevant fund account on School Funds Expenditure Forms (SFEFs).

The APM, Section 4.5.3, *Cash Disbursements*, states that prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The form includes space for the bookkeeper to indicate the amount of funds available in the relevant account and space for the principal to approve the purchase and also the date of the approval.

The bookkeeper explained that a process was never developed to ensure principal's pre-approval of purchases. The SFEF pre-approval and approval sections are completed simultaneously, after the purchase is already made. Further, the bookkeeper was unaware of the purpose of the funds available line on the SFEF. Instead of indicating the total amount of funds available, she would cite the amount of the expenditure.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically, schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete the SFEF and obtain pre-approval from the principal. Employees can be held personally liable for obligations, if the cash disbursement policy is not followed.

Recommendation: The current principal and bookkeeper should establish controls to ensure that the pre-approval section of SFEFs is completed prior to purchase and that all disbursements are properly pre-approved. The principal must require the bookkeeper to provide the available balance in the respective fund account on SFEFs to facilitate informed decisions for approval of purchases. Training on the new controls should be provided to staff.

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2018.02 Insecure Location for Funds Awaiting Deposit

A secure drop-safe for keeping SAF awaiting deposit has not been obtained and placed in the school. Funds are kept in a place where staff members cannot securely drop collected funds if the bookkeeper is unavailable.

The APM, Section 4.5.2.2.2, *Guidelines for Bank Deposits*, states that Depository (drop) safes are required for every school and that only the principal and bookkeeper can access the contents. The safe should be bolted to the floor and placed in a location accessible to staff which will facilitate remitting funds even if the bookkeeper is unavailable. A log should be maintained where staff members record their name and the date of the “drop”.

The former principal and bookkeeper were unaware of specific requirements for a drop-safe. Upon arrival in August 2017, the new principal identified the need and stated that she is currently in the process of obtaining a drop-safe. The lack of a drop safe constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff members. Internal controls are compromised when funds are not remitted by staff promptly or can be subsequently accessed by individuals other than the principal or bookkeeper.

Recommendation: The current principal should purchase a drop safe. The principal and bookkeeper should incorporate use of the drop-safe into the newly established cash collection procedures in accordance with the specific requirements outlined in the APM. A safe log should be effectively maintained to record the date, time, and the amount of funds dropped into the safe. The safe log should also identify the person who drops the funds.

2018.03 Fundraiser Forms Not Completed

Fundraiser Completion Reports were not completed for 6 fundraisers conducted during the audit period.

Administrative Procedure 5135.1, *Fundraising*, requires Fundraiser Request and Authorization Forms to be completed and approved for fundraisers not sponsored by the principal. In addition, Fundraiser Completion Reports should be completed for all fundraising activities.

The school completed fundraiser forms for their annual Mid-Atlantic Fundraising fundraiser during the audit period. However, the bookkeeper was unaware that forms needed to be completed for smaller fundraisers such as their annual Chuck-E-Cheese Family Night and for student pictures.

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Failure to complete fundraiser forms constitutes non-compliance with BOE policies and procedures. In addition, it decreases transparency of fundraising activities and the associated profits to interested parents and community members. Fundraiser completion reports also provide valuable information that can be used for future planning.

Recommendation: The principal and bookkeeper should familiarize themselves with the procedures for completing all fundraiser forms and establish procedures to ensure compliance for all fundraiser activities.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Potomac Landing Elementary School** was issued for the period ended **September 30, 2014**. The former principal was in place until August 2017, when he was replaced by the current principal. The bookkeeper has been in place for the entire audit period. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Inappropriate Administration of Checks** – Controls appear to be working.
- **Mismanagement of Disbursements** – Condition still partially exists. See **Finding 2018.01** regarding *Inadequate Approval of Disbursements*.
- **Use of Non-Approved Vendors** – Controls appear to be working.
- **Year-End Monetary Transmittal Forms/Envelopes** – Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Potomac Landing Elementary School for their cooperation and assistance during the audit.