



January 31, 2018

MEMORANDUM

To: David Curry, Instructional Director
Cluster 2

Natiqua Riley, Principal
Riverdale Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for September 1, 2014 through October 31, 2017

An audit of the financial records of **Riverdale Elementary School** was conducted for the period September 1, 2014 through October 31, 2017. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As the 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, Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

Enc.

cc: Segun Eubanks, Ed. D., Board Chair
Kevin Maxwell, Ph. D., Chief Executive Officer of Schools
Monique Whittington-Davis, Ed. D, Deputy Superintendent
Carolyn Boston, Board Vice Chair, Board of Education
Lupi Quinteros-Grady, Board Member, District 2
J. Michael Dougherty, CPA, Esq., Director, Financial Services
John Pfister, Chief Financial Officer
Denise Greene, Ed. D., Associate Superintendent, Area I
Erica Berry Wilson, Esq., Executive Director, Board of Education
Derrick Martin, Internal Auditor II

Internal Audit Report

Riverdale Elementary School Student Activity Funds

For the Period Ended October 31, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Riverdale Elementary School for the period September 1, 2014 to October 31, 2017. Riverdale 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:

- *Mismanagement of Funds Received*
- *Vending Machine Contract*
- *Administration of Voided Checks*
- *Fundraising Forms*

Individually or in the aggregate, these findings resulted in 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 October 31, 2017.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Riverdale Elementary School for the period September 1, 2014 to October 31, 2017.

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 Accounting Procedures Manual (APM) and the Board of Education (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 selected bank statements, financial reports, available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period September 1, 2014 to October 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: Mismanagement of Funds Received

The following exceptions were identified relative to administration of funds received at Riverdale Elementary School:

Incomplete Monetary Transmittal Forms: There were 2 instances where the “Bookkeeping Classification” section on the MTF was not completed by the preparer; however, the MTFs were still approved and processed.

Inappropriate Posting of Monetary Transmittal Form Amounts: There were 3 instances where the total amounts on MTFs matched the system amount however the allocations of amounts on MTFs did not agree with what was entered in the accounting system. For example the tax were subsequently calculated and recorded by the recordkeeping staff instead of returning the MTF to the preparer for correction.

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

- Specific instructions for completion are at the top of the MTF document. The person collecting funds is responsible for filling in all required information, including signing and dating the form. The exact make-up of the funds and the total amount being remitted must be itemized.
- When discrepancies are noted, the individual who submitted the MTF must be immediately contacted. If corrections are necessary, the originator of the MTF must make the correction by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry.

Reportedly, the previous recordkeeping staff instructed preparers not to complete the “Bookkeeping Classification” section of MTFs. This practice was followed by current recordkeeping staff and resulted in inaccuracies in posting.

Inaccurate or incomplete MTF documentation reduces assurance that collections are recorded appropriately and made in accordance with the APM policy and procedures. Internal controls regarding the collection of funds was compromised which increased the potential for loss of assets.

Recommendation: Recordkeeping staff must be held accountable for ensuring that MTF’s are accurate and complete prior to acceptance and posting in SFO. Discrepancies identified must be brought to the preparer’s attention for corrections as required by the

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APM. The principal should implement internal controls to ensure deposits are documented and recorded accurately.

2018.02 Vending Machine Contracts

There are 2 faculty vending machines at the school; however, there is no vending contract documenting the terms of vending services provided.

According to APM, Section 9.8, *Vending Machine Sales*, "All schools with vending machines must have a signed contract stipulating commissions due the school and frequency these commissions are remitted. The contract term cannot exceed one year."

Responsible personnel within the school were not able to contact the vendor to obtain a current contract for the vending machines. Failure to have a formal contract in place constitutes non-compliance with BOE policies and procedures. The lack of an agreement with the vending company may increase the risk of inadequate maintenance of the machines and insufficient commission revenue.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor.

2018.03 Administration of Voided Checks

There were 14 instances where the Voided Check Proof Sheets (VCPS) or School Funds Expenditure Forms (SFEF) were not completed and approved by the principal as part of the check voiding process. Also, there were 4 instances where the voided checks were not entered in the accounting system.

The 2008 School Accounting Manual section 4.5.3.2.4 on *Voiding Checks* instructs that when voiding a check, the physical check must still be accounted for. The word "VOID" is required to be written across the face of the check. The signature portion of the check must be cut off and destroyed. The check must also be voided in the accounting system. A SFEF or VCPS should also be completed and approved by the principal, noting the check was voided.

Previous recordkeeping staff was not familiar with internal controls regarding administration of voided checks. Inappropriate administration of checks exposes the school to fraud, waste and abuse of its resources.

Recommendation: The recordkeeping staff should become familiar with the requirements for voiding checks as outlined in the APM and demonstrate compliance by

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requiring appropriate approval, recording, and maintaining voided checks in an organized manner. Staff should be held accountable for compliance.

2018.04: Fundraiser Forms

The school held several fundraisers during the audit period. However, Fundraiser Completion Reports and annual reports summarizing fundraising activities were not completed.

The APM, Section 7.2.2, *Fundraising Procedures*, states that fundraisers must be formally approved by the principal using a Fundraiser Request and Authorization Form. At the conclusion of a fundraising event, a Fundraiser Completion Report must be prepared by the sponsor. Additionally, the principal should prepare an annual report summarizing all fundraising activities concluded during the year. The data in this report should include the net amount retained as profit from each fundraising activity and be made available for review by parents and other interested members of the community.

Reportedly, the principal did not implement internal controls to ensure required fundraising forms were prepared and submitted. It is difficult to determine whether the fundraisers conducted by the school yielded any financial benefit or loss. Financial records are not complete and information may not be available to make informed decisions on continuing fundraising activities.

Recommendation: The fundraising process should be managed by assigning responsibility for distribution of relevant fundraiser forms, and the principal should enforce controls by holding staff members accountable. The principal should also compile or instruct preparation of annual fundraising summary reports each year as required by the APM.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Riverdale Elementary was issued for the period ended August 31, 2014. During that period, the principal was not in her current position. The previous audit report included 3 reportable conditions, of which 2 are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Incomplete documentation of Disbursements** – Controls appear to be working.

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- **Vending Machine Contract** – Condition still exist. See **Finding 2018.02** regarding *Vending Machine Contract*.
- **Fundraiser Forms** – Condition still exist. See **Finding 2018.04** regarding *Fundraiser Forms*.

ACKNOWLEDGEMENT

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