



December 5, 2017

**MEMORANDUM**

To: Charoscar Coleman, Instructional Director  
Cluster 5

Pamela Adams, Principal  
Thomas G. Pullen Creative and Performing Arts School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period July 1, 2010 to September 30, 2017

An audit of the financial records of **Thomas G. Pullen Creative and Performing Arts School** was completed for the period July 1, 2010 to September 30, 2017. The audit results indicate 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. 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 **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](mailto: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](mailto: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 the transmittal letter. This report is not intended 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  
Denise Greene, Ed. D., Associate Superintendent, Area I  
Michael Dougherty, Director Financial Services  
Erica Berry Wilson, Esq., Executive Director, Board of Education  
Patrick Pope, Internal Auditor II

# Internal Audit Report

Thomas Pullen Creative and Performing  
Arts School  
Student Activity Funds

For the Period Ended September 30, 2017

Thomas Pullen Creative and Performing Arts School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Thomas Pullen Creative and Performing Arts School for the period July 1, 2010 through September 30, 2017. Thomas Pullen Creative and Performing Arts 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:

- *Mismanagement of Disbursements,*
- *Administration of Voided Checks,*
- *Financial Reporting,*
- *Admin of Vending Contracts, and*
- *End of Year MTF Procedures not Followed*

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 deviations 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 of the student activity funds (SAF) of Thomas Pullen Creative and Performing Arts School for the period July 1, 2010 through September 30, 2017. The audit was performed 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.

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**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 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, cancelled checks and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2010 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 Disbursements**

The audit revealed the following exceptions pertaining to the management of disbursements:

- A. ***Incomplete Documents*** - There were **17** instances where the bookkeeper did not correctly include the dollar amount in the "Funds Available" field on School Funds Expenditure Forms (SFEF).
  
- B. ***Inadequate Principal Approval*** - There were **8** instances where SFEFs were not adequately approved by the principal. The approval date was after the expenditure date of request.

The APM provides the following guideline relative to the administration of cash disbursements:

- A. The bookkeeper determines if funds are available, initials, dates and records the amount available on the SFEF.
  
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the Principal.

The bookkeeper did not properly complete the SFEF "Funds Available" field. Instead of documenting the amount available in the fund account, the field was left blank on the SFEF. Some staff members ordered items/made purchases on behalf of the school prior to obtaining principal pre-approval.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and the staff. Specifically, schools and their SAF can be held liable for financial obligations made by staff if the individual fails to complete this form and get pre-approval from the principal. Lack of adequate documentation reduces assurance that purchases were made in accordance with BOE policy and procedures. The principal risks insolvency of the SAF if required procedures are not followed.

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**Recommendation:** The principal and bookkeeper must perform the following to improve the administration of disbursements:

- A. The bookkeeper should include the account balance from SFO in the funds available field, and the principal should not approve an incomplete or inaccurate SFEF.
- B. The principal should sign and date every SFEF after review to show appropriate approval on the document.
- C. The principal and bookkeeper should improve current controls, to include staff training, to ensure written pre-approval precedes purchases. Staff should be held accountable for purchases made without documented approval on the SFEF.

**2018.02 Administration of Voided Checks**

There were **156** instances of non-compliance relative to the administration of **149** voided checks reviewed. The following non-compliances were noted:

- A. ***Voided Checks Not Entered in School's Accounting System:*** There were at least **4** instances where voided checks were not properly entered as void in the accounting system by the bookkeeper as required by the APM.
- B. ***School Funds Expenditure Forms or Void Check Proof Sheets (VCPS) not completed and/or Signed by the Principal:*** There were **84** instances where voided checks did not have a principal signed SFEF or Void Check Proof Sheet.
- C. ***Voided Check Retention:*** There were instances where **68** voided checks could not be located.

The APM provides the following regarding the administration of checks:

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 computer. A SFEF or a VCPS should also be completed and approved by the principal, noting the check was voided.

The bookkeeper claimed that she was unaware that it is necessary for each voided check to be substantiated by a principal signed SFEF or VCPS. Also, she was unaware of the location of some of the voided checks since the scope of the audit dates back to June 2010.

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The ineffective process for voiding checks constitutes non-compliance with BOE policies and procedures. Lack of approval of voided checks and the inability to locate voided checks in or outside the accounting system increases the risk of check fraud.

**Recommendation:** The principal must implement procedures to ensure proper administration of all voided checks. The bookkeeper must be reminded of the importance of administering voided checks as required by the APM. All voided checks must have "VOID" written across the face of the check. The signature lines must be removed and destroyed and the voided checks should be attached to an approved SFEF or VCPS. Also, the bookkeeper should properly file and retain all voided checks for 7 years or until audited as required by the APM.

### **2018.03 Financial Reporting**

During the review of the internal controls over the reporting process and the school's compliance with the reporting requirements for the audit period, there were 7 instances noted of delinquent preparation of financial reports. Also, 8 monthly report packages did not include all the necessary reports or the package checklist.

The APM Section 5.2, *Financial Reporting Requirements*, requires that the principal receive monthly financial reporting packages from the bookkeeper by the 15<sup>th</sup> of the subsequent month. The principal should sign and date the checklist of the reports package which includes:

- Original Bank Statements,
- SFO Bank Reconciliation Report,
- Available Funds Report,
- Year to Date Report,
- Journal Entry Register, and
- Insolvent Report.

The bookkeeper could not provide a legitimate explanation for not completing the monthly financial reports by the 15<sup>th</sup> of the following month. Also, she was not aware of the documents to be included in the monthly reporting package.

Delinquent and inaccurate reporting impacts the timeliness of information used in the decision-making process. The principal's ability to promptly verify the school's solvency status may also be impacted.

**Recommendation:** The principal should hold the bookkeeper accountable for timely report submission and ensure that the monthly financial reports are thoroughly reviewed and intact as evidenced by a signature. The principal must ensure reports are reviewed timely.



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**2018.04 Administration of Vending Contracts**

The approved vending contract for the audit period could not be located.

Administrative Procedure 5135.2, *Principal's Contracting Authority*, requires the principal, as an agent of the BOE, approve and sign all agreements and contracts entered into for all school activities. Additionally, the APM, Section 9.8, *Vending Machine Sales*, states, "all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted."

According to the bookkeeper, the vending agreement predates her employment at the school and has never been identified in the school's financial records.

The lack of an agreement with the vending company may increase the risk of inadequate maintenance of the machines and insufficient commission revenue from vending machines. Failure to have a formal contract in place constitutes non-compliance with BOE policies and procedures.

**Recommendation:** The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract.

**2018.05 End of Year MTF Procedures Not Followed**

There were 7 instances where end of year MTF envelope remittances could not be located for review.

The APM, Section 4.5.2.2, *Cash Receipts Procedures*, requires submission of pink and yellow MTF remittance copies in sealed envelopes by faculty and program managers with their signature over the seal to the designated administrator. The bookkeeper will print the SFO "Receiptee History" report and submit it to a designated administrator. This alerts the administrator which MTF envelope packages to expect.

The administrator designated for MTF collection did not ensure that all teachers submitted their MTF remittances at the end of the school year.

The absence of sealed end of year MTF envelopes negates the effectiveness of internal controls surrounding the cash collection process.

**Recommendation:** The principal should develop and document specific procedures for the end of year MTF envelopes submission. The designated administrator should use the MTF log and "Receiptee History" report to ensure each MTF is accounted for.

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**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Thomas Pullen Creative and Performing Arts School was issued for the period ended June 30, 2010. During that period, the current bookkeeper was not in her position. The current principal was in place at the time of the previous audit. There were **11** findings reported in the previous audit and **2** are repeated in this report. There were also **3** new findings that were not present during the previous audit period. The following findings were noted as a result of that audit and the current status is indicated below:

- **Delinquent Deposits** – Controls appear to be working.
- **Monetary Transmittal Form (MTF)** – Condition partially exists. See **2018.05** regarding *End of Year MTF Procedures Not Followed*.
- **Sales Tax not Collected and Posted for All Items Sold** – Controls appear to be working.
- **Separation of Duties** – Controls appear to be working.
- **Management of Disbursements** – Condition still exist. See **2018.01** regarding *Mismanagement of Disbursements*.
- **Cash Payments** – Controls appear to be working.
- **Schools Paid Sales Tax on Purchases** – Controls appear to be working.
- **Delinquent Payment of Invoices** - Controls appear to be working.
- **Field Trips** - Controls appear to be working.
- **Payment for Services Rendered out of the Student Activity Funds** – Controls appear to be working.
- **Management Oversight**- Controls appear to be working.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of Thomas Pullen Creative and Performing Arts School for their cooperation and assistance during the audit.