



November 20, 2017

MEMORANDUM

To: Susan Holiday, Instructional Director
Cluster 10

Nicole Crumpler Abubaker, Ed. D, Principal
Waldon Woods Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for Period September 1, 2013 to August 31, 2017

An audit was completed on the financial records of **Waldon Woods Elementary School** for the period September 1, 2013 to August 31, 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 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 Accounting Procedures Manual. 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 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
Raymond Brown, Chief Financial Officer
Carolyn Boston, Vice Chair, Board of Education
Helen Coley, Ed. D., Associate Superintendent, Area II
Erica Wilson Berry, Esq., Executive Director, Board of Education
Sonya Williams, Board Member, District 9
Patrick Pope, Internal Auditor II

Internal Audit Report

Waldon Woods Elementary School Student Activity Funds

For the Period Ended August 31, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Walden Woods Elementary School for the period September 1, 2013 through August 31, 2017. Walden Woods Elementary School's principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

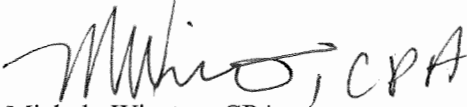
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures as we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

Our examination disclosed the following findings:

- *Insolvent Principal Sponsored Activities Fund Account,*
- *Use of Board Approved Vendors,*
- *Mismanagement of Disbursements,*
- *Mismanagement of Funds Received,*
- *Administration of Checks,*
- *Fundraiser Forms,*
- *Admin of Vending Contracts,*
- *End of Year MTF Procedures not Followed, and*
- *Financial Reporting*

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 August 31, 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 Waldon Woods Elementary School for the period September 1, 2013 through 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 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 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 September 1, 2013 through 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 Insolvent Principal Sponsored Activities Fund Account

The Principal Sponsored Activities (PSA) fund account has a deficit of **(\$6,075.76)** as of August 31, 2017. The beginning year balance was **(\$3,568.62)**. Despite the deficit, disbursements from the account totaling **\$4,155.32** were made during FY 2017.

The APM Section 9.6, *Principal-Sponsored Activities (PSA) for Staff*, states that the PSA account is for discretionary expenditures incurred by the Principal on behalf of school staff. These activities must be of a professional nature that enhances staff members' job performance. Expenditures for authorized PSA are restricted to 100% of faculty vending commission and 15% of school-wide fundraiser profits. If the PSA account has a deficit, funds are not available for this purpose and faculty spending must be ceased until the existing PSA deficit is resolved.

The principal has failed to establish a system of internal controls to ensure compliance with Board policies and procedures as it pertains to funds being disbursed from the PSA fund account.

The deficit in the PSA constitutes noncompliance with the policy documented in the APM. Students may not receive the maximum possible benefit from the resources that should have been available to them.

Recommendation: The principal should work towards elimination of the PSA fund account deficit by discontinuing expenditures from this fund account until the deficit is resolved. The principal should also review fundraising profits and vending commissions periodically to ensure proper transfers are made to the PSA fund account to assist with eliminating the deficit.

2018.2 Use of Board Approved Vendors

Checks were written to unapproved vendors by categorizing the payments as refunds.

The APM, Section 4.5.3, *Cash Disbursements Procedures*, requires all checks be written to an approved/active vendor in School Funds Online (SFO). A one-time Vendor Request Form can be submitted to Business Operations for approval. The "Reimbursement" or "Refund" categories must not be used to pay unapproved vendors in SFO.

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Staff did not properly plan for a field trip to determine whether the vendor had been approved by PGCPS. Proper planning would have enabled the school to follow the correct procedures for making a payment to an unapproved vendor.

Use of an unapproved vendor constitutes non-compliance with BOE policies and procedures. Paying an unapproved vendor by labeling the check as a “refund” circumvents the system requirements and increases the risk of check fraud.

Recommendation: The principal should verify that all field trip vendors are listed as approved vendors in oracle. If the vendor is not listed, the principal should ensure that the bookkeeper follows the requirement to request that the vendor apply for approval with Purchasing and Supply Services. Also, the principal should inform staff that funds should not be collected for field trips until the vendor trip approval status is attained.

2018.03 Management of Disbursements

The following exceptions pertaining to the management of disbursements were noted:

- ***Incomplete/Inaccurate Documents*** - There were **46** instances where the bookkeeper did not correctly include the dollar amount in the “Funds Available” field on the School Funds Expenditure Form (SFEF).
- ***Inadequate Principal Approval*** - There were **25** instances where SFEFs were not adequately approved by the principal. The principal’s approval date was after the expenditure date of request.

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

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

The bookkeeper did not properly complete the SFEF “Funds Available” field. Instead of documenting the amount available in the account, the amount entered on the “Total Estimated Cost” line was duplicated. Some staff members ordered items or made purchases for 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 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. Lack

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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.

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

- The principal should sign and date every SFEF after review for appropriate approval, as indicated on the document.
- The principal and bookkeeper should improve current controls, to include staff training, to ensure written pre-approval precedes purchases.
- 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.

2018.04 Mismanagement of Funds Received

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

- ***Delinquent Deposits*** - There were **17** instances where funds collected were not deposited timely.
- ***Data Entry into SFO*** – There were **18** instances where the incorrect MTF date was entered into SFO.

The Accounting Procedures Manual provides the following guidelines regarding the administration of funds received:

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. If funds are kept on-hand at the school awaiting deposit, they must be kept in a secure location.

The bookkeeper used the deposit date as the MTF date when entering transactions into SFO, which caused deposits to appear timely. There were some instances where it appears that the teachers did not submit the funds the same day they were collected from the students.

Mismanagement of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Untimely deposits increase the risk of lost or stolen funds.

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Recommendation: The following is recommended for the principal and bookkeeper to properly manage funds received:

- Staff must be held accountable for remitting funds collected on a daily basis to reduce tardiness of deposits. The principal and bookkeeper must ensure that funds totaling \$250.00 and above are not maintained in the school safe and funds under \$250.00 are not held for more than 2 days.

- The bookkeeper must enter the correct MTF date in SFO.

2018.05 Administration of Checks

The audit revealed **5** instances where a voided check did not have a principal signed SFEF or void proof sheet. Also, the signature lines from the checks were not removed and destroyed.

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 void proof sheet should also be completed and approved by the principal, noting the check was voided.

The Secretary claimed that she was unaware of the procedures to properly handle a voided check, specifically, removing the signature lines.

The ineffective process for voiding checks constitutes non-compliance with BOE policies and procedures. Lack of approval and physical destruction of voided checks increases the risk of check fraud.

Recommendation: The secretary must be reminded of the importance of administering 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 a SFEF or approved Void Check Proof Sheet.

2018.06 Fundraiser Forms

The fundraiser sponsors failed to complete the required fundraiser forms and the principal failed to prepare the annual report summarizing the fundraising activities for approximately 12 fundraisers held during the audit period.

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AP 5135.1 *Fund Raising* and AP 5135.2 *Principal's Contracting Authority* provide specific guidance concerning fundraising. First, the fundraiser must be formally approved by the principal using a Fundraiser Authorization Form. Next, the purpose must be designated and communicated for each fundraiser. If a fundraiser involves a contract, the principal has limited authorization to execute such agreements involving the use of SAF.

Lastly, the APM Section 7.2.2 states that at the conclusion of an event, a Fundraiser Completion Report must be prepared by the sponsor, reviewed and acknowledged by the principal. Additionally, an annual report summarizing all fundraising activities concluded during the year is also required.

The administrator in charge of ensuring staff were compliant with the completion of fundraiser forms did not successfully provide oversight for this process.

Financial records are not complete and profit/loss ratio of fundraisers conducted cannot be determined when fundraising forms are not prepared.

Recommendation: The principal must establish procedures to ensure completion of all fundraiser authorization forms, fundraiser completion reports and an annual report on the results of fundraising activities held during the school year. Required reports must be maintained on file for public and auditor review.

2018.07 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, to approve and sign all agreements and contracts entered into for all school activities. In addition, 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 school has been unsuccessful in retrieving a copy of the contract from the vendor.

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. Also, vending commission would help decrease the deficit in the Principal Sponsored Activities fund account.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE

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policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract.

2018.08 End of Year MTF Procedures Not Followed

End of year MTFs envelope were not located for a teacher included in the sample, which included 24 MTFs.

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 designated administrator of MTF collection did not make sure that all teachers submitted their MTFs at the end of the school year. Teachers were not held accountable for returning year end MTF envelopes.

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 remittance envelopes submission, as well as designating an administrator to oversee the process.

2018.09 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, the audit revealed that there were 7 instances where monthly financial reports were not completed timely by the bookkeeper.

The APM Section 5.2, *Financial Reporting Requirements*, requires that the principal receive monthly financial reporting packages from the bookkeeper by the 15th of the subsequent month.

The bookkeeper cited a busy office and other competing tasks that interfered with her completing the monthly financial reports by the 15th of the following month.

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 ensure the bookkeeper is allotted a designated time for completion and timely submission of financial reports. The principal also has

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responsibility for reviewing the monthly financial reports and evidencing by signature. This review should also be completed timely.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Waldon Woods Elementary School was issued for the period ended August 31, 2013. During that period, the current bookkeeper was not in her current position. The current principal began her position school year 2015-2016. There were 9 findings reported in the previous audit and 3 were repeated in this report. There were also 7 new findings that were not present during the previous audit period. All of the current findings occurred during the administration of the previous principal. The following findings were noted as a result of that audit and the current status is indicated below:

- **Missing Funds** – Controls appear to be working.
- **Lack of Segregation of Duties** – Controls appear to be working.
- **Record Retention/ Missing Documentation** – Condition still exists. See **2018.08** regarding *End of Year MTF Procedures*.
- **Failure to Complete Monthly Financial Reporting Requirements** – Controls appear to be working.
- **Insolvent Financial Status** – Condition still exists. See **2018.01** regarding *Insolvent PSA*.
- **Delinquent Deposits and Use of Generic Deposit Slips** – Condition still exists. See **2018.04** regarding *Management of Funds Received*.
- **Transactions not Properly Posted** – Controls appear to be working.
- **Checks Issued with one Signature** - Controls appear to be working.
- **Management Oversight** - Controls appear to be working.

ACKNOWLEDGEMENT

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