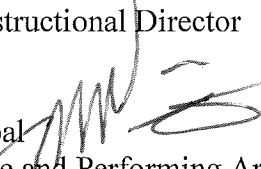




September 28, 2018

**MEMORANDUM**

To: Kristil Fossett, Ed. D., Instructional Director  
Cluster 7

Matthew McCrea, Principal   
Benjamin Foulois Creative and Performing Arts School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period July 1, 2014 to June 30, 2018

An audit was completed on the financial records of **Benjamin Foulois Creative and Performing Arts School** for the period July 1, 2014 to June 30, 2018. 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 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).

cc: Segun Eubanks, Ed. D, Board Chair  
Monica Goldson, Ed. D, Interim Chief Executive Officer  
Carolyn Boston, Vice Chair, Board of Education  
Members, Board of Education  
David G. Curry, Jr., Ed. D, Associate Superintendent, Middle School  
Helen Coley, Ed. D, Chief, School Support and Leadership  
J. Michael Dougherty, Director Financial Services  
Christian Rhodes, Chief of Staff  
Erica Berry Wilson, Esq., Executive Director, Board of Education  
Patrick Pope, Internal Auditor II

# Internal Audit Report

Benjamin Foulois Creative and Performing  
Arts School  
Student Activity Funds

For the Period Ended June 30, 2018

Benjamin Foulois Creative and Performing Arts School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Benjamin Foulois Creative and Performing Arts School for the period July 1, 2014 through June 30, 2018. Benjamin Foulois 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 Funds Received,*
- *Mismanagement of Disbursements,*
- *Record Retention,*
- *Financial Reporting, and*
- *Fundraiser Forms*

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 June 30, 2018.



Michele Winston, CPA,  
Director Internal Audit

Benjamin Foulois Creative and Performing Arts School  
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**SUMMARY**

The Internal Audit Department completed an audit of the student activity funds (SAF) of Benjamin Foulois Creative and Performing Arts School for the period July 1, 2014 through June 30, 2018. 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.

**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, 2014 through June 30, 2018. 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:

**2019.01: Mismanagement of Funds Received**

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

- A. ***Delinquent Deposits*** - There were **18** instances where funds collected were not deposited in a timely manner. Late deposits ranged from 1 to 32 days.
- B. ***Funds Held*** – There were **8** instances where teachers did not remit funds to the recordkeeping staff on the day of collection.
- C. ***Un-initialed Changes*** – There were **4** instances where changes were not made in accordance with MTF instructions. Changes were not initialed as required.
- D. ***Missing Support*** – There were **3** instances where the MTFs lacked appropriate support.
- E. ***Incorrect Monetary Transmittal Forms Date*** – There were **18** instances where incorrect MTF dates were entered in SFO.

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

- A. Deposits are required for 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.
- B. Staff members are prohibited from holding funds overnight.
- C. MTFs should not be accepted if: a pencil or white-out is used, changes are not initialed, funds are not exactly as indicated in Section 1; or Section 2 is not completed or an appropriate list is not attached.

The principal has failed to establish a system of internal control to ensure compliance with Board policies and procedures in regards to funds being received by the school, timely remitted and adequately documented and supported. Recordkeeping duties were sometimes handled by the principal leading to the collection process not always being performed in accordance to the APM. The recordkeeping staff was not careful to ensure that the correct MTF dates were entered in SFO.

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Mismanagement of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Delinquent deposits and held funds by sponsors, improperly documented MTFs and inadequate supporting documentation for collections increase the risk of lost or stolen funds. Recording incorrect MTF dates in the accounting system misrepresents the timing of recorded financial information.

**Recommendation:** The following is recommended for the principal and recordkeeping staff to properly manage funds received:

- A. Staff must be held accountable for remitting funds collected on a daily basis to the recordkeeping staff to reduce tardiness of deposits. The principal and recordkeeping staff 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.
- B. The principal and recordkeeping staff should provide training to staff members to ensure all funds collected are remitted daily, adequately documented and supported.
- C. The recordkeeping staff must carefully enter data into SFO by ensuring that the date of the MTF is recorded instead of the deposit date. The principal must carefully review collection information for accuracy.

**2019.02: Mismanagement of Disbursements**

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

- A. ***Inadequate Principal Approval*** - There were **10** instances where SFEFs were not adequately approved by the principal. The dates that expenditures were made or initiated preceded the principal's approval dates.
- B. ***Insufficient Support*** - There were **5** instances where refunds were issued without the related MTF attached to substantiate the refund.
- C. ***Incomplete School Funds Expenditure Forms*** – SFEFs were not properly completed in **10** instances. The “funds available” field was left blank in **8** instances. The principal failed to date the SFEF in **2** instances.

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

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- A. 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.
- B. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documentation are cash register receipts, invoices, bills of sale, etc.

The principal failed to establish a system of controls to ensure compliance with Board policies pertaining to funds disbursed by the school. The funds available field appears to be oversight because the SFEF was filled out correctly for a majority of the sample.

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 this SFEF and obtain pre-approval from the principal.

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

- A. The principal should sign and date all SFEF forms after review for appropriate approval, as indicated on the document.
- B. The principal and recordkeeping staff should improve current controls, to include staff training, to ensure written pre-approval precedes purchases.
- C. The recordkeeping staff should include the account balance from SFO in the "funds available" field, and the principal should ensure this is done prior to approval of expenditures.
- D. The recordkeeping staff should review the supporting document for completeness prior to submitting the SFEFs to the principal for issuance of refunds.

**2019.03: Record Retention**

The audit revealed the following instances where documents requested for review were not made available:

- A. There were 6 instances where end of year MTFs remittances could not be located.
- B. There were 5 instances where the MTFs could not be located.
- C. There were 6 instances where the SFEFs could not be located.



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D. There were **39** instances where void checks could not be located.

E. There were **14** instances where cancelled checks could not be located.

According to the APM all SAF records must be retained for a period of 7 years and/or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, banks statements, receipts, disbursement authorities, MTFs, SFEF's cancelled checks and contracts.

The principal failed to establish a system of internal controls to ensure compliance with Board policies and procedures as it pertains to record retention. Files are not maintained in an organizer manner, such as in binders or some type of filing system.

Lost or misplaced documents constitute non-compliance with BOE policies and procedures. Documents are not readily accessible when needed as evidence to settle disputes or discrepancies, and to make financial decisions.

**Recommendation:** The principal and recordkeeping staff should work towards organization of documents to ensure that future documents can be made available when needed. Like documents should be stored by year in binders or as outlined in the APM.

The principal should hold recordkeeping staff accountable for retaining documentation in accordance with the record retention as stated in the Accounting Procedures Manual. The principal should perform periodic reviews of records to help ensure compliance.

**2019.04: Financial Reporting**

The following exceptions were identified regarding the financial reporting process:

- A. The audit revealed **18** instances where the recordkeeping staff did not obtain proper approval for transfer of funds.
- B. There were **6** instances where the monthly financial reports were not completed by the 15<sup>th</sup> of the subsequent month.

The APM Section 4.5.4.2, *Transfers between restricted and unrestricted/net accounts*, states transfers between restricted accounts are only authorized if reviewed and approved by the principal.

The APM Section 5.2, *Financial Reporting Requirements*, requires that the principal receive monthly financial reporting packages from the recordkeeping staff by the 15<sup>th</sup> day of the subsequent month.

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The recordkeeping staff was unaware that approval was required to be documented on the Journal Entry Proof Sheet. The tardy financial reports resulted from the recordkeeping staff being on extended leave for portions of the audit period.

Unapproved journal entries may result in inaccurate transactions being posted in the accounting system. The principal's ability to promptly verify the school's solvency status could have been impacted by delinquent financial reports.

**Recommendation:** The recordkeeping staff must make journal entry transfers in accordance with requirements of the APM and following approval of the Accounting and Financial Reporting Office. The principal should ensure that all monthly financial reports are prepared, reviewed and approved in a timely manner, by the 15<sup>th</sup> day of the subsequent month.

**2019.05: Fundraiser Forms**

The fundraiser sponsors failed to complete the required forms for **10** fundraising events held during the audit period. Fundraiser Request and Authorization Forms and Fundraiser Completion Reports were not prepared. Also, the principal failed to prepare or designate responsibility for preparation of annual reports summarizing the fundraising activities for fundraisers held during the audit period.

AP 5135.1 *Fund Raising* and AP 5135.2 *Principal's Contracting Authority* provide specific guidance concerning fundraising. Fundraisers must be formally approved by the principal using a Fundraiser Request and Authorization Form.

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 provide oversight for this process. The preparation of the annual reports fundraising reports was not performed because the principal assumed some of the recordkeeping staff's responsibilities while she was on extended leave.

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 Request and 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.

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**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Benjamin Foulois Creative and Performing Arts School was issued for the period ended June 30, 2014. The principal and recordkeeping staff was in place at the time of the previous audit. There were **5** findings reported in the previous audit and **2** were repeated in this report. The following findings were noted as a result of that audit and the current status is indicated below:

- **Mismanagement of Receipts** – Condition still exists. See **2019.01** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See **2019.02** regarding *Mismanagement of Disbursements*.
- **Voided Checks** – Controls appear to be working.
- **Principal sponsored Activity (PSA) Funding Overspending** – Controls appear to be working.
- **Mileage Reimbursement** – Controls appear to be working.

**ACKNOWLEDGEMENT**

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