



January 8, 2018

MEMORANDUM

To: Susan Holliday, M Ed, Instructional Director
Cluster 2

Nicole Warner
Catherine T Reed Elementary School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period July 1, 2015 to September 30, 2018

An audit was completed on the financial records of **Catherine T. Reed Elementary School** for the period July 1, 2015 to September 30, 2018. The audit indicates that the school's control environment is strong but requires improvement to ensure full compliance with 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 by **February 8, 2019**, 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 at internal.audit@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: Deborah.smalls@pgcps.org.

Enclosure

cc: Alvin Thornton, Ph. D., Board Chair
Monica Goldson, Ed. D, Interim Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
J. Michael Dougherty, CPA, Esq., Director, Financial Services
Michael Herbstman, Chief Financial Officer
Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools
Helen Coley, Ed. D., Chief, School Support and Leadership
Daniel Reagan, Internal Auditor II

Internal Audit Report

Catherine T. Reed Elementary School
Student Activity Funds

For the Period Ended September 30, 2018

Catherine T. Reed Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Catherine T. Reed Elementary School for the period July 1, 2015 to September 30, 2018. Catherine T. Reed 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:

- *Reconciliations Not Completed Timely;*
- *Remittance Information Missing from MTFs;*
- *Inadequate Approvals;*
- *Fundraiser Forms Not Completed; and*
- *Failure to Maintain a Current Vending Contract.*

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 September 30, 2018.



Michele Winston, CPA
Director, Internal Audit

Catherine T. Reed Elementary School
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Internal Audit Report
For the Period Ended September 30, 2018

SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for Catherine T. Reed Elementary School for the period July 1, 2015 to September 30, 2018. The audit was performed as part of the annual audit plan.

The audit indicated that the school's financial controls require attention and improvement to be in full compliance 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, available cancelled checks all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period July 1, 2015 to September 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 Reconciliations Not Completed Timely

Bank reconciliations for 9 of the 12 (75%) months reviewed were not timely completed and submitted to the principal.

The APM, Section 5.2, *Financial Reporting Requirements*, states that the principal should receive the package of reports, to include the bank reconciliation, by the 15th of each month.

The APM, Section 3.2.2, *Bookkeepers/Financial Secretaries*, states that bookkeepers must make the Principal aware when either a lack of time or distractions are adversely affecting their ability to successfully complete their bookkeeping duties.

The current recordkeeping staff began in October 2017 and stated that she has struggled to allocate sufficient time to complete monthly reports. The principal addressed the issue with the current recordkeeping staff during her most recent annual review in July 2018, but a set strategy has not been developed to ensure improvement in report timeliness.

Untimely bank reconciliations constitute non-compliance with BOE policies and procedures and increased financial risk to the school. The bank reconciliation process is the most effective internal control to ensure that funds are properly deposited and recorded.

Recommendation: The principal and recordkeeping staff should develop strategies to ensure that adequate time is allocated to the administration of the SAF, particularly the monthly reporting. The principal should also provide additional oversight to address timeliness of bank reconciliation preparation.

2019.02 Remittance Information Missing from Monetary Transmittal Forms

There were 2 instances where remittance information was not included with MTFs. The MTFs accounted for \$1,755.00 in fundraiser collections without information on who the funds were collected from.

The APM, Section 4.5.2, *Cash Receipts*, states that the MTF must be completed entirely with the following information: 1) who collected money; 2) when it was collected; 3) from whom it was collected, 4) the amount and form of the collection; and 5) the reason for collection. If additional space is needed, a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.

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The current recordkeeping staff explained that the MTFs were submitted by staff shortly after she assumed her position and before she was trained by Accounting and Financial Reporting. The fundraiser remittance information was tracked by the fundraiser sponsor, but the current recordkeeping staff was not aware that it had to be included with the MTF. The lack of remittance included with MTFs constitute non-compliance with BOE policies and procedures and increased financial risk to the school. Remittance information is critical on MTFs to track potential discrepancies or refunds. The current bookkeeper stated that since her training, she has been diligent in making sure staff members complete MTFs properly.

Recommendation: The principal should provide oversight to the MTF process and ensure timely training of the current recordkeeping staff.

2019.03 Inadequate Approvals

There were **16** instances where the recordkeeping staff did not record the amount of funds available on the School Funds Expenditure Form (SFEFs).for purchases prior to the principal's pre-approval.

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 a space for the recordkeeping staff to indicate the amount of funds available in the relevant account.

The principal and current recordkeeping staff were not clear on the purpose of the "Funds Available" line in the pre-approval section of the SFEF. "Yes/No" was indicated on the "Funds Available" line, instead of providing an amount for the principal to reference to make an informed decision.

Providing insufficient information for the principal to determine pre-approval, increases financial risk to the school. Specifically, the risk of insolvent accounts increases when the principal is not aware of the account balance in the relevant account when providing pre-approval of expenditures.

Recommendation: The current recordkeeping staff should immediately begin including the amount of available funds on the SFEF prior to providing the form to the principal for pre-approval. The principal should provide oversight to the process.

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2019.04 Fundraiser Forms Not Completed

Fundraiser forms were not always completed as required during the audit period. Fundraiser Authorization Forms were not completed for **6** of the **13 (46%)** fundraisers in the audit period. Fundraiser Completion Reports were not completed for **10** of the **13 (77%)** fundraisers. Annual fundraising summaries were not completed by the principal or designee for FY 2016, FY 2017 or FY 2018.

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

As a result of the previous audit, the previous recordkeeping staff and principal incorporated the fundraiser forms into the school's fundraising procedures. However, the principal has not always been clear on what is considered a fundraiser. As a result, fundraising activities such as Valentine's Day Grams and student pictures have not been supported by Fundraising Authorization Forms. Further, the principal has not been clear on the requirements for the Fundraiser Completion Reports, and have often left them blank. The principal was also not aware that she was responsible for the annual fundraising summary.

Failure to complete the required fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members. Further, Fundraiser Completion Reports bolster the budgeting process, which can help support optimal performance by each fundraiser.

Recommendation: The principal and current recordkeeping staff should ensure that all activities that raise funds for the school or a club are accompanied by fundraiser forms. Further, training should be provided to fundraising sponsors to ensure that Fundraiser Completion Reports are properly completed. At the end of each school year, the principal should use the Fundraiser Completion Reports to prepare an annual fundraising summary as required.

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2019.05 Failure to Maintain a Current Vending Contract

The school has not maintained a current, annual contract with the vending company for vending machines provided to the school.

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

The principal stated that a contract was signed with the vending machine company in November 2017, but they were not able to locate it. Failure to maintain an active contract for vending machine operations constitutes non-compliance with BOE policies and procedures. Further, the lack of contract prevents the school from having any recourse if there are issues with service or commissions.

Recommendation: The recordkeeping staff should contact the vendor and obtain a signed contract for the vending machine operation. The contract should stipulate the frequency and percentage of commissions, and should be renewed annually.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Catherine T. Reed Elementary School** was issued for the period ended **June 30, 2015**. The principal has been in her role for the entire audit period. The current recordkeeping staff's tenure began in October 2017. The following findings were noted as a result of the last audit and the current status is indicated below

- **Mismanagement of Scholastic Bookfair Receipts** – Controls appear to be working.
- **End Of Year MTF Procedures Not Followed** – Controls appear to be working.
- **Fundraiser Forms Not Completed** - Condition still exists (See Finding 2019.04)

ACKNOWLEDGEMENT

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