



April 2, 2019

MEMORANDUM

To: Jeffrey Holmes, Ed. D, Instructional Director
Cluster 3

Jamila Mannie, Principal
Clinton Grove Elementary School

From: Michele Winston, CPA,
Director Internal Audit

Re: Financial Audit for July 1, 2015 through November 30, 2018

An audit was conducted of the financial records of **Clinton Grove Elementary School** for the period July 1, 2015 through November 30, 2018. 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 by May 1, 2019 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.

Enc.

cc:

Alvin Thornton, Ph. D., Chairman Board of Education
Monica Goldson, Ed. D., Interim Chief Executive Officer of Schools
Members, Board of Education
Christian Rhodes, Chief of Staff
Kassandra Lassiter, E.D., Elementary Schools Associate Superintendent
Helen Coley, Ed. D., Chief School Support and Leadership
J. Michael Dougherty, CPA, Director of Financial Services
Joeday Newsom, Esq., Ethics Compliance Officer
Derrick Martin, Internal Auditor II

Internal Audit Report

Clinton Grove Elementary School Student Activity Funds

For the Period Ended November 30, 2018

Clinton Grove Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended November 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Clinton Grove Elementary School for the period July 1, 2015 to November 30, 2018. Clinton Grove 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:

- *Fundraiser Forms*
- *Check Signing Authority*
- *Record Retention*

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 November 30, 2018.



Michele Winston, CPA
Director, Internal Audit

Clinton Grove Elementary School
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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Clinton Grove Elementary School for the period July 1, 2015 to November 30, 2018.

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 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, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2015 to November 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: Fundraiser Forms

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

The BOE policy *5135.1, Fundraising* indicates that when clubs and organizations have fundraisers, they must complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Report and the Annual Fund Raising Summary Report. These documents must be maintained on file for public and auditor review upon request.

BOE policies and procedures as established in the Accounting Procedures Manual for School Activity Funds were not followed regarding the administration of fundraisers. The principal and bookkeeper were unfamiliar with the administration requirements for fundraisers.

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 in the future. Since the principal is the fiduciary agent for the school, he/she is responsible for approving all fundraising requests.

Recommendation: The principal should hold the recordkeeping staff accountable for generating reports of all fundraising activities to facilitate completion of the summary reports at the end of the school year. Fundraising sponsors must be required to obtain relevant approval for fundraisers and prepare the Fundraiser Completion Reports after each fundraiser. An adequate filing system must be implemented to facilitate retrieval of those forms and reports upon request of Internal Audit or anyone with reviewing authority. The bookkeeper should become familiar with the APM regarding fundraising activities.

2019.02: Check Signing Authority

During the audit period there were **2** periods where the school had less than 3 authorized check signers. During the first period *Administrator A* resigned from the school in October of 2017 and was not replaced until May of 2018 leaving the school non-compliant for 7 months. The second instance occurred when the concurrent signer, *Administrator B*, resigned from the school in July 2018; administrator B remained an authorized check signer until the last day of fieldwork, despite the fact that he has resigned.

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The APM, **Section 4.2.2 “Bank Account Procedures”** states there must be at least three authorized signers on the checking account (Principal, Bookkeeper, and another administrator). The principal and bookkeeper should be the primary signers on the account. The third should be an administrator (i.e., a vice-principal, teacher in charge or wing coordinator) who signs checks in one of the signatories’ absence.

The principal and recordkeeping staff mentioned that because of staff turnover and the process of removing and replacing authorized signers the task of updating the signers was not properly performed. The principal and bookkeeper were unaware of the administrative policy that requires 3 signatures.

Lack of proper banking procedures compliance places the school at risk for fraud. Expenditures would not be approved if one of the check signers are absent when there are only 2 authorized check signers. Furthermore, a check signer is prohibited from signing their own expenditure reimbursement checks.

Recommendation: The principal and recordkeeping staff must ensure there are 3 authorized check signers that are available to sign expenditure requests and checks when circumstances permit. The principal and recordkeeping staff should also familiarize themselves with the APM regarding bank account procedures.

2019.03: Record Retention

Supporting documents including **FY16 (2) and FY19 (2) voided check records, and 11 selected journal entry transfers** were not made available for audit.

The APM states that accounting records and supporting documentation shall be opened and available to the auditors upon request. The BOE’s record retention policy is 7 years or until the documents have been audited.

According to the recordkeeping staff the transfer journal entry files were kept with the monthly financial report information. Although some were located, the requested documents were not on file. Reportedly, the 2 voided checks from FY16 and 2 from FY19 were misplaced.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal must ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Staff should be held accountable for compliance.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Clinton Grove Elementary School was issued for the period ended June 30, 2012. During that period, the bookkeeper did not hold her current position. The previous audit report had 7 reportable conditions, of which none is repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- *Monetary Transmittal forms* – Controls appear to be working
- *Pennies For Patients* – Controls appear to be working
- *Sales Tax Collected For All Items Sold* – Controls appear to be working
- *Mismanagement of Disbursements* – Controls appear to be working
- *School Paid Sales Tax on Purchases* – Controls appear to be working

ACKNOWLEDGEMENT

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