



September 13, 2018

MEMORANDUM

To: Denise Greene, Ed. D., Instructional Director
Cluster 5

Julie Orgettas, Principal
H. Winship Wheatley Early Childhood Center

From: Michele Winston, CPA
Director, Internal Audit

Re: Financial Audit for Period May 1, 2015 to June 30, 2018

An audit was completed on the financial records of **H. Winship Wheatley Early Childhood Center** for the period May 1, 2015 to June 30, 2018. The audit results indicate that the school's internal controls require improvement to ensure full compliance with board policies. 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 thirty **(30)** days, 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.

We would like to thank the principal and staff of **H. Winship Wheatley Early Childhood Center** for their assistance and cooperation during the audit process.

Enclosure

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
J. Michael Dougherty, CPA, Esq., Director, Financial Services
Kasandra Lassiter, Ed. D, Associate Superintendent, Elementary Schools
Helen Coley, Chief, School Support and Leadership
Christian Rhodes, Chief of Staff
Erica Berry Wilson, Esq., Executive Director, Board of Education
Daniel Reagan, Internal Auditor II

Internal Audit Report

H. Winship Wheatley Early Childhood
Center

Student Activity Funds

For the Period Ended June 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of H. Winship Wheatley Early Childhood Center for the period May 1, 2015 to June 30, 2018. H. Winship Wheatley Early Childhood Center'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:

- *Delinquent Deposits;*
- *Administration of Checks;*
- *Inappropriate Transfer of Funds;*
- *Year-End Monetary Transmittal Form Procedures Not Followed;*
- *Fundraiser Forms Not Completed; and*
- *Inaccurately Completed School Funds Expenditure Forms*

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 June 30, 2018.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for H. Winship Wheatley Early Childhood Center for the period May 1, 2015 to 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 in certain areas 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 May 1, 2015 to 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 Delinquent Deposits

Bookfair receipts of **\$1,110.56** were collected and remitted to the bookkeeper and documented on 6 MTFs between November 13, 2017 and November 17, 2017. However, the funds were not deposited until 8 months later on July 19, 2018.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that the financial recordkeeping staff is required to make deposit of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight. In addition, staff members collecting funds should not hold funds overnight.

The principal and financial recordkeeping staff stated that funds were placed in the safe in November and forgotten due to other school issues. There were no other funds received after November, and therefore funds were not noticed in the safe. During the June 2018 end of year financial review process, the principal and financial recordkeeping staff noticed the lack of bookfair receipts recorded on the school's financial statements, and subsequently made the deposit.

Delinquent deposits constitute non-compliance with BOE policies and procedures and increases financial risk to the school. Untimely deposits can lead to lost or stolen funds. Further, the amount of available funds were not accurately recorded on the school's fiscal year 2018 financial statements.

Recommendation: The principal and financial recordkeeping staff should collaborate to ensure that all funds collected are deposited timely. Further, the monthly financial reporting process should include periodic reviews of the safe and financial statements to ensure all transactions have been properly executed and recorded.

2019.02 Administration of Checks

The following exceptions pertaining to the management of checks were identified:

- A. ***Missing Cancelled Check Images:*** There were 5 instances where cancelled check images could not be located for review.
- B. ***Lack of Third Check Signer:*** The school currently only has two authorized check signers for the checking account.

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The SAF Accounting Procedures Manual (APM), Section 4.5.3, *Cash Disbursements* includes the following provisions:

- A. Cancelled checks (or cancelled check images) are required to be maintained in a separate cancelled check file for the entire school year.
- B. There are 3 check signers required on the school's checking account. The principal and the bookkeeper are required to be the standard check signers. The third signer must be a vice-principal or school administrator.

The improper administration of checks resulted from the following:

- A. Missing cancelled check images were for checks processed prior to the current financial recordkeeping staff's tenure in 4 instances. The previous financial recordkeeping staff was likely unaware of the record retention requirements. The current recordkeeping staff maintains a cancelled check file.
- B. The Special Education Coordinator was identified during the past school year as the appropriate third check signer, but due to competing priorities, the school has not made the efforts necessary to contact Treasury Operations to make the addition to the bank card.

Mismanagement of checks constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Missing cancelled checks compromises the audit trail needed to substantiate authorized expenditures.

Recommendation: The principal and financial recordkeeping staff should immediately contact Treasury Operations to add the Special Education Coordinator as a signer on the checking account. In addition, continued diligence should be exercised regarding retention of cancelled check images.

2019.03 Inappropriate Transfers of Funds

The following inappropriate fund transfers were noted:

- A. There were 2 transfers from fundraiser accounts to the Principal Sponsored Activities (PSA) fund account that exceeded the authorized limit. A total of **\$376.98** in excess fundraiser funds were transferred to PSA fund account.
- B. There were 2 transfers from the PY Carryover account made without the required approval from Accounting and Financial Reporting. Unapproved transfers totaled **\$1,963.00**.

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- C. A transfer of **\$1,077.99** was made from an unrestricted fundraiser account to the restricted Materials of Instruction (565.00) account to cover a deficit.

The APM, Section 9.6, *Principal Sponsored Activities for Staff*, states that discretionary expenditures incurred by the Principal on behalf of school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances staff members' job performance. If the PSA account has a deficit, faculty spending must be ceased until the existing PSA deficit is resolved. Expenditures for authorized Principal-sponsored activities are restricted to the funds available from the following sources:

- 100% of Vending commission from machines located in the staff lounge
- 25% of student vending commission
- 15% of school-wide fundraiser profits, including picture commissions
- Up to 25% of senior class residual funds.

The APM, Section 4.5.5, *Prior-Year Carryover Funds*, states that only upon written approval from Business Operations should funds be transferred from the PY Carryover account.

The APM, Section 4.3 *Fund Accounts* states that restricted funds are those funds that are raised by a specific group or for a specific purpose and are used exclusively for that group and/or purpose and not for the general needs of the school. Unrestricted funds are raised to benefit the entire student body and/or meet the general needs of the school.

The principal and former financial recordkeeping staff were not aware of the requirements for PY Carryover fund transfers at the beginning of the audit period. The current financial recordkeeping staff made miscalculations when transferring funds from fundraiser accounts to PSA.

Revenues for classroom supplies are for school-wide use, but were accounted for in restricted accounts. Reportedly, the confusion of unrestricted and restricted accounts with similar titles resulted in the misclassification.

Inappropriate fund transfers constitute non-compliance with BOE policies and procedures and increases financial risk to the school. Inappropriate transfers from unrestricted accounts to PSA represent funds that are no longer eligible for positive student experiences. The PSA fund account balance includes **\$376.98** meant to benefit students. Further, unauthorized transfers from PY Carryover increase the risk of insolvency for the school. Accounting for school-wide funds in restricted accounts makes funds unavailable to benefit the entire student body.

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Recommendation: The following is recommended to ensure that SAF is accurately stated:

- A. The current financial recordkeeping staff should transfer \$376.98 from PSA back to the PY Carryover account to correct the inappropriate transfers made during the audit period.
- B. The Principal and current financial recordkeeping staff should provide a request to Accounting and Financial Reporting for transfer of all school-wide funds incorrectly posted to restricted accounts to corresponding unrestricted accounts, so that those funds are made available to the entire student body. Further, the current financial recordkeeping staff should ensure that all future expenditures for school-wide purposes are made out of unrestricted accounts.
- C. No transfer is necessary for the unauthorized PY Carryover transfers since all funds have been used to purchase items for school-wide use.

2019.04 Year-End Monetary Transmittal Form Procedures Not Followed

Year-end MTF envelopes for the principal could not be located for the 2015-2016 and 2016-2017 school years. There were 5 MTFs remittances (yellow and pink copies) totaling \$7,473.63 could not be found.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers are required to seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO "Receiptee History" Report and submit it to the designated administrator. This alerts the administrator which MTF envelope packages to expect.

The principal stated that each year, she placed her MTF copies in an envelope, as required. However, she was not able to locate them with the rest of the envelopes for either 2015-2016 or 2016-2017. The ineffective year-end MTF process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendation: The principal should ensure that her end of year MTF envelope is properly maintained with the remainder of the envelopes so that it is available for subsequent review.

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2019.05 Fundraiser Forms Not Completed

Fundraiser forms were not completed for the two fundraisers conducted during the audit period.

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 all fundraisers, a Fundraiser Completion Report must be prepared by the sponsor. Additionally, the Principal should prepare an annual report summarizing all fundraising activities concluded during the 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.

The principal and financial recordkeeping staff were aware of the requirements for fundraising forms. However, due to the low frequency, the completion of the forms was not adequately incorporated into the school's fundraising procedures.

Failure to complete 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, failure to prepare Fundraiser Completion Reports weakens the budgeting process which can ensure optimal performance by each fundraiser.

Recommendation: The principal and financial recordkeeping staff should develop specific procedures for fundraising sponsors for fundraiser administration. The financial recordkeeping staff should manage the process by distributing and ensuring completion of the required forms.

2019.06 Inaccurately Completed School Funds Expenditure Forms

The financial recordkeeping staff failed to accurately complete the "*funds available*" line on School Funds Expenditure Forms (SFEFs) in the 10 instances reviewed prior to the principal's pre-approval. The estimated cost was included on the "*funds available*" line instead of the balance in the respective fund account.

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 space for recording the amount of funds available in the relevant account prior to the principal providing pre-approval.

The financial recordkeeping staff was not aware of the purpose of the "*funds available*" line on the SFEF. Without the SFEF completed properly, the Principal is not fully informed of the financial implications of the expenditure when pre-approving.

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Recommendation: The financial recordkeeping staff should begin to provide a full accounting of funds available prior to submitting SFEFs to the principal for pre-approval.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **H. Winship Wheatley** was issued for the period ended **April 30, 2015**. That audit included **5** findings and **3** are repeated in this report. The principal has been in place for the entire audit period. The current financial recordkeeping staff's tenure began in July 2016. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Missing Documentation** – Condition still partially exists. **See Finding 2019.02** regarding *Administration of Checks*.
- **Mismanagement of Funds Received** – Controls appear to be working.
- **Mismanagement of Disbursements** - Condition still partially exists. **See Finding 2019.06** regarding *Inaccurately Completed School Funds Expenditure Forms*.
- **Fundraising Forms Not Completed** – Condition still exists **See Finding 2019.05** regarding *Fundraising Forms Not Completed*.
- **Contracts Not on File for Vending Machines**– Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of H. Winship Wheatley Early Childhood Center for their cooperation and assistance during the audit.