



June 5, 2019

MEMORANDUM

To: Ebony Cross Shields, M.Ed., Instructional Director
Cluster 6

Erica Bennett Principal,
John Bayne Elementary School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period July 1, 2015 to April 30, 2019

An audit was completed on the financial records of **John Bayne Elementary School** for the period July 1, 2015 to April 30, 2019. 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 July 5, 2019 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.

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

Internal Audit Report

John Bayne Elementary School Student Activity Funds

For the Period Ended April 30, 2019

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of John Bayne Elementary School for the period July 1, 2015 through April 30, 2019. John Bayne 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:

- *Mismanagement of Disbursements,*
- *Mismanagement of Funds Received, and*
- *Administration of Voided Checks*

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 April 30, 2019.



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 John Bayne Elementary School for the period July 1, 2015 through April 30, 2019. 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, 2015 through April 30, 2019. 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 Disbursements

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

- ***Inadequate Principal Approval*** - There were **5** instances where SFEFs were not properly approved by the principal. The principal's approval was dated after the expenditure was made or initiated.
- ***Fund Available*** - There were 19 instances where the recordkeeping staff failed to list the dollar amount of funds available on the expenditure form.
- ***Incomplete Expenditure Form*** – The SFEF was not properly completed in 8 instances. Examples include omissions in the date of request field, purpose of expenditure field, and principal's signature date on the form.

According to the guideline for administering 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 principal failed to establish a system of controls to ensure compliance with Board policies pertaining to funds disbursed by the school. The record keeping staff could not provide a valid explanation for the exceptions noted.

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 School Activity Funds cannot be held liable for financial obligations made by staff if the individual fails to complete this form and get pre-approval from the principal. Failure to date the expenditure draws into question whether the expenditure was properly approved.

Recommendation: The following must be performed to improve the administration of disbursements:

- The principal and recordkeeping staff should improve current controls, including staff training, to ensure written pre-approval precedes purchases. The principal

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must hold staff responsible for adhering to Board policies and procedures, and discipline repeat offenders.

- The recordkeeping staff must ensure the expenditure form is completed before presenting the form to the principal for approval.
- The recordkeeping staff must include the exact amount of funds available on the expenditure form.

2019.02: Delinquent Deposits

There were 4 instances where funds collected were not deposited in a timely manner. Delinquent deposits ranged from 2 to 4 days.

According to the APM 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 recordkeeping staff disclosed that deposits are not made daily due to the low number of MTFs submitted and the amount of funds collected.

Delinquent deposits constitute non-compliance with BOE policies and procedures and increases financial risk to the school. Delinquent deposits and delayed remission of funds by sponsors increase the risk of lost or stolen funds.

Recommendation: The principal and recordkeeping staff must ensure that funds totaling \$250.00 and above are not held in the school safe overnight and funds below \$250.00 are not held for more than 2 days.

2019.03: Administration of Voided Checks

There were 14 instances where the recordkeeping staff could not provide a signed void check proof sheet. Additionally, there were 11 instances where the signature line was not properly removed from the voided check.

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.

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The recordkeeping staff mistakenly removed the incorrect portion of the voided check. The check number was removed instead of the signature line. The staff could not provide an explanation for the lack of signed void proof sheets.

The ineffective process for voiding checks constitutes non-compliance with BOE policies and procedures. Lack of adherence to the voided checks process may increase the risk of check fraud.

Recommendation: The recordkeeping staff must be reminded of the importance of administering checks as required by the APM. All voids should be retained and handled as stated above.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for John Bayne Elementary School was issued for the period ended September 30, 2014. The current principal's tenure began July 2017 but the record keeping staff was in her current position during the previous audit. There were **4** findings reported in the previous audit and **1** was repeated in this report. There are also **3** new findings that were not present during the previous audit period. The following findings were noted as a result of that audit and the current status is indicated below:

- **Missing Funds (Scholastic Book Fair)** - Controls appear to be working.
- **Mismanagement of Funds Received** – Condition still exists. See 2019.02, *Mismanagement of Funds Received*.
- **Inappropriate Administration of Checks** – Controls appear to be working.
- **Failure to Separate Cash Management Duties** – Controls appear to be working.

ACKNOWLEDGEMENT

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