



January 8, 2019

MEMORANDUM

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

Valerie Gifford, Principal
Marlton Elementary School

From: Michele Winston, CPA,
Director Internal Audit

Re: Financial Audit for July 1, 2014 through September 30, 2018

An audit was conducted of the financial records of **Marlton Elementary School** for the period July 1, 2014 through September 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 February 8, 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.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

Enc.

cc:

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

Internal Audit Report

Marlton Elementary School Student Activity Funds

For the Period Ended September 30, 2018

Marlton Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

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Marlton Elementary School
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Marlton Elementary School for the period July 1, 2014 to September 30, 2018. Marlton 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:

- *Mismanagement of Disbursements*
- *Vending Machine Contract*

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 September 30, 2018.



Michele Winston, CPA
Director, Internal Audit

Marlton Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Marlton Elementary School for the period July 1, 2014 to September 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, 2014 to September 30, 2018. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Marlton Elementary School
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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2019.01: Inadequate Documentation of Expenditures

There were **20** instances where the “Funds Available” line under the “Request and Pre-Approval” section on School Expenditures Forms (SFEFs) were not properly completed.

The APM, Section 4.5.3 *Cash Disbursements* requires that the preapproval section of SFEFs is entirely completed prior to ordering or purchasing goods or services. Included in this section is a line for “*Funds Available*”.

According to the recordkeeping staff the funds available line was often left blank or completed with a signature because the school was obligated to pay fundraiser bills before the actual profit came in. As a result the account would not have funds before a check was written. Incomplete SFEFs reduces assurance that purchases were made in accordance with the policy and procedures of the APM and places the school at risk for insolvency. When the “Funds Available” line is left blank the employee initiating the expenditure and principal are unaware of how much funds are actually available to spend.

Recommendation: The principal and recordkeeping staff should ensure SFEFs are complete and properly approved prior to purchasing. Also, the recordkeeping staff should ensure the ‘funds available’ line on the SFEFs is properly completed prior to forwarding the form to the principal for final approval. The principal should use the “funds available” line to approve or reject an expense depending on the available amount.

2019.02 Vending Machine Contract

There are **2** faculty vending machines located in the teachers’ lounge. However, there is no contract in place that specifies commission due and the terms of the contract.

Administrative Procedure 5135.2, *Principal’s Contracting Authority*, requires the principal, as an agent of the BOE, to approve and sign all agreements and contracts entered into for all school activities. Additionally, the APM, Section 9.8, *Vending Machine Sales*, states, “all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted. The contract term cannot exceed one year.”

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The recordkeeping staff indicated that the vending company has been unresponsive to her attempts to obtain a signed contract. Failure to have a formal vending contract in place that stipulates commission due and contract term constitutes non-compliance with BOE policies and procedures. Further, the lack of a vending contract prevents the school from having any recourse if there are issues with vending service or commissions.

Recommendation: The principal must establish procedures to ensure that a current vending contract is established and maintained on file in compliance with BOE policies and procedures. Otherwise, the principal must consult with Purchasing and Supply Service for identification of an alternate vendor.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Marlton Elementary School was issued ended April 2011. Both the current principal and bookkeeper held their positions at that time. The following findings were noted as a result of that audit. There were no repeat findings noted in this audit.

- **Changes on Monetary Transmittal Forms Improperly Made** – Controls appear to be working
- **Credit Accounts** - Controls appear to be working
- **Payments to Individuals/Unincorporated Businesses for Services Rendered** – Controls appear to be working
- **Incomplete and/or Inadequate Documentation for Receipts** – Controls appear to be working
- **Safeguarding of Assets** – Controls appear to be working
- **Transaction Misclassified** – Controls appear to be working
- **Segregation of Duties** – Controls appear to be working
- **Fundraisers did not All Completed Fundraiser Forms** – Controls appear to be working

ACKNOWLEDGEMENT

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