



June 5, 2019

**MEMORANDUM**

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

Kimberly Pettway  
Principal, Valley Oaks Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period July 1, 2015 to March 31, 2019

An audit was completed on the financial records of **Valley View Elementary School** for the period July 1, 2015 to March 31, 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 by 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](mailto: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](mailto:deborah.smalls@pgcps.org).

cc: Alvin Thornton, Ph. D, Chairman, Board of Education  
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

## Valley View Elementary School Student Activity Funds

For the Period Ended March 31, 2019

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Valley View Elementary School for the period July 1, 2015 through March 31, 2019. Valley View 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 *Funds Received*,
- *Mismanagement of Disbursements*,
- *Administration of Voided Checks*,
- *Financial Reporting, and*
- *Fundraiser Forms*

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 March 31, 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 Valley View Elementary School for the period July 1, 2015 through March 31, 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 March 31, 2019. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. Monetary transmittal form copies were not available for the 2016-2017 fiscal year. The audit of funds received was limited to other available documentation supporting funds collected during that period. (See Finding 2019.01 - *Mismanagement of Funds Received*).

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2019.01: Mismanagement of Funds Received**

The following exceptions pertaining to the management of funds received were identified:

- ***Delinquent Deposits*** - There were **2** instances where funds collected were not deposited in a timely manner. Delinquent deposits ranged from 1 to 5 days.
- ***Incomplete Monetary Transmittal Forms (MTF)*** – There were **3** instances where MTFs were not completed entirely in accordance to MTF instructions.
- ***Record Retention*** – The bookkeeper could not produce any MTF copies for the 2016-2017 school year.

The APM provides the following guidelines regarding the administration of funds received:

- *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. Staff members should never hold funds overnight.*
- *The MTF must be completely filled out 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 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.*
- *All SAF records must be retained for a period of seven (7) years and/or until audited, included the current fiscal year. This includes, but is not limited to, financial reports, banks statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.*

The recordkeeping staff disclosed that deposits are not made daily due to the low number of MTFs submitted. The exceptions occurred when the recordkeeping staff had been in the position for a few months. The principal stated that she was on extended leave from

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October until April during the 2016-2017 school year. The recordkeeping staff position was vacant at the time and recordkeeping staff duties were performed by the Assistant Principal and the Registrar.

Mismanagement of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Delinquent deposits and held funds by sponsors increase the risk of lost or stolen funds. Further, documents are not readily accessible when needed for support, as evidence to settle disputes or discrepancies, and to make decisions.

**Recommendation:** The following is recommended for the principal and recordkeeping staff to properly manage funds received:

1. Staff must be held accountable for remitting funds collected on a daily basis to reduce the tardiness of deposits. The principal and recordkeeping staff must ensure that funds totaling \$250.00 and above are not maintained in the school safe and accumulated funds below \$250.00 are not held for more than 2 days.
2. The principal and bookkeeper should provide training to staff members to ensure all funds collected are remitted daily with an accompanying MTF as stated on the top of the form.
3. The principal must be aware at all times of the location of financial records and hold recordkeeping staff accountable for compliance.

**2019.02: Mismanagement of Disbursements**

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

- ***Inadequate Principal Approval*** - There were **6** instances where School Funds Expenditure Forms (SFEFs) were not adequately approved by the principal. The principal's approval date was after the date that the expenditure was made or initiated.
- ***Funds Available*** - There were **6** instances where the recordkeeping staff failed to list the dollar amount of funds available on the SFEF.
- ***Incomplete School Funds Expenditure Forms*** – The SFEFs were not properly completed in **15** instances. The principal failed to properly date the SFEFs in these instances.

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The APM provides the following guideline relative to the administration of cash disbursements:

- *Prior to ordering or purchasing goods or services, a SFEEF must be completed and signed by the Principal. The bookkeeper determines if funds are available, initials, dates and records the amount available on the SFEEF.*
- The principal failed to establish a system of controls to ensure compliance with Board policies pertaining to funds disbursed by the school. The instances where funds available were not listed occurred during the tenure of the previous recordkeeping staff.

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 when staff fail to complete the SFEEF and obtain pre-approval from the principal. The principal's failure to date the SFEEF could result in an assumption that the expenditure was not authorized.

**Recommendation:** The principal and bookkeeper must perform the following to improve the administration of disbursements:

- The principal and record keeping staff should improve current controls, to include staff training, to ensure expenditures are supported by properly completed SFEEFs.
- The principal should perform proper approval of expenditures by signing and dating the SFEEFs upon request for the expenditure to be made and again once the school check is prepared. The principal should ensure that the date accompanies the signatures.

**2019.03: Administration of Voided Checks**

There were **8** instances where the recordkeeping staff could not locate voided checks. There were also **2** instances where the signature line was not properly removed from the 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 SFEEF 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 could not provide an explanation for exceptions that occurred during the tenure of the prior recordkeeping staff. Checks have not been voided under the current recordkeeping staff.

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 voided checks should be retained and administered properly as required.

**2019.04: Financial Reporting**

There were **28** instances where monthly financial reports were not completed timely by the recordkeeping staff. The reports noted were submitted between **2** and **97** days after the due date.

The APM Section 5.2, *Financial Reporting Requirements*, requires that the principal receive monthly financial reporting packages from the bookkeeper by the 15<sup>th</sup> of the subsequent month.

The recordkeeping staff did not provide an explanation for the delinquent monthly reconciliations. However, she stated that she is aware of the reporting requirements. Delinquent monthly financial reporting appeared to occur during the tenure of the principal regardless of recordkeeping staff.

Delinquent and inaccurate reporting impacts the timeliness of information used in the decision-making process. The principal's ability to promptly verify the school's solvency status may also be impacted.

**Recommendation:** The principal should hold the recordkeeping staff accountable for timely report submission and ensure that the monthly financial reports are thoroughly reviewed as evidenced by a signature. The principal must also ensure to perform a prompt review of the financial reports.

**2019.05: Fundraiser Forms**

The fundraiser sponsors failed to complete the Fundraiser Completion Report. The principal failed to ensure preparation of the annual report summarizing the fundraising activities held during the audit period.

AP 5135.1 *Fund Raising* and AP 5135.2 *Principal's Contracting Authority* provides specific guidance concerning fundraising. First, the fundraiser must be formally approved

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by the principal using a Fundraiser Authorization Form. Next, the purpose must be designated and communicated for each fundraiser. If a fundraiser involves a contract, the principal has limited authorization to execute such agreements involving the use of SAF.

Finally, the APM Section 7.2.2 states that at the conclusion of an event, a Fundraiser Completion Report must be prepared by the sponsor, reviewed and acknowledged by the principal. Additionally, an annual report summarizing all fundraising activities concluded during the year is also required.

The principal stated that the school does not hold many fundraisers and the ones administered are initiated by her, so no approval was necessary. Also, the principal seemed unaware of the requirement to prepare an annual summary of fundraising activity.

Financial records are not complete and profit/loss ratio of fundraisers conducted are not documented and available when fundraising forms are not prepared.

**Recommendation:** The principal must establish procedures to ensure completion of all fundraiser authorization forms, fundraiser completion reports and an annual report on the results of fundraising activities held during the school year. Required reports must be maintained on file for public and auditor review.

### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Valley View Elementary School was issued for the period ended December 31, 2013. The current principal was in her position during the previous audit; however, the financial recordkeeping staff's tenure began in January 2018. There were **2** findings reported in the previous audit, which were repeated in this report. There were also **3** new findings that were not present during the previous audit period. The following finding was noted as a result of that audit and the current status is indicated below:

- **Delinquent Deposits** - Condition still exists. See 2019.01, *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See 2019.02, *Mismanagement of Disbursements*.
- **Payment to Vendors for Services Rendered** – Controls appear to be working.
- **Use of Non-Approved Vendors** - Controls appear to be working.
- **Transactions Not Properly Posted** - Controls appear to be working.
- **Principal Sponsored Activity Account Deficit** - Controls appear to be working.
- **Grant Funds Not Remitted to the BOE** - Controls appear to be working.

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- **Year-End MTFs Not Returned** - Controls appear to be working.
- **Lack of Inventory Documentation** - Controls appear to be working.

**ACKNOWLEDGEMENT**

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