



November 16, 2018

MEMORANDUM

To: Kristil Fossett, Ed. D., Instructional Director
Cluster 7

Darryl Evans, Principal
William Hall Academy

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period October 1, 2016 through June 30, 2018

An audit was completed on the financial records of **William Hall Academy** for the period October 1, 2016 through June 30, 2018. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan within **30** days, or by December 16, 2018 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.

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, Jr., CPA, Director Financial Services
David Curry, Ed. D., Associate Superintendent
Helen Coley, Ed. D., Chief, School Support and School Leadership
Christian Rhodes, Chief of Staff
Erica Berry Wilson, Esq., Executive Director, Board of Education
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

William Hall Academy
Student Activity Funds

For the Period Ended June 30, 2018

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

Table of Contents

INTERNAL AUDITOR'S REPORT	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDING AND RECOMMENDATION	4
STATUS OF PRIOR AUDIT FINDINGS	9
ANCILLARY ISSUE	9
ACKNOWLEDGEMENT	10

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of William Hall Academy for the period October 1, 2016 through June 30, 2018. William Hall Academy'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 Funds Received,*
- *Mismanagement of Disbursements,*
- *Excessive Spending in Restricted Accounts,*
- *Bank Statements not Initialed, and*
- *Year-End Transmittal Process not followed*

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 deviation from the criteria described in the preceding paragraph, the APM 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

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

SUMMARY

The Internal Audit Department completed an audit on the student activity funds (SAF) for William Hall Academy for the period October 1, 2016 through June 30, 2018. The audit was conducted as part of the audit plan for the year.

The audit indicated that the school's financial records and procedures are effectively managed but 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 to determine whether the school was in compliance with the policies and procedures of the Accounting Procedures Manual for School Activity Funds 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 all bank statements, financial reports, all available cancelled checks, voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period October 2016 through June 2018. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2019.01: Mismanagement of Funds Received

- A. There were 4 instances in FY 2018 where funds received lacked sufficient documentation to substantiate the amount of the deposits. The following pertinent documentation was not provided to substantiate the deposits: class list for a fieldtrip, determination of fundraiser proceeds, and amount paid per student for a fieldtrip.
- B. The school could not locate the binder containing FY 2017 original MTFs and the corresponding supporting documentations. As such, 9 original MTFs could be located for review.

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

- A. According to the APM, Section 4.5.2.2 (1) The MTF must be completely filled out with the following information. 1) who collected funds; 2) date of the collection; 3) source of funds collected; 4) the amount and form of the collection; and 5) the reason for collecting the funds. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report can be used as an attachment.
- B. According to the APM, all SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, SFEFs, cancelled checks and contracts.

The following reasons were noted for the noncompliance with the requirement for administering SAF:

- A. Internal Audit was unable to determine the reason(s) for noncompliance with BOE policies and procedures because the school did not have recordkeeping staff during the audit.
- B. Turnover of the school's recordkeeping staff, twice in the past 2 school years, is partly responsible for the poor records management system. Also, the principal did not provide adequate oversight through periodic review of financial documents to ensure that the records were appropriately maintained.

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

Inadequate supporting documentation destroys the audit trail and results in the compromise of audit evidence required to provide reasonable assurance that collections were recorded appropriately and in accordance with the prescribed policy. Non-retention of financial records increases the risk of fraud since the auditor cannot verify accuracy of transactions.

Recommendation: The following steps must be taken to ensure SAF is administered in accordance with requirements of the APM:

- A. Staff members must be reminded through documented communication that, adequate supporting documentation must accompany funds remitted to the financial secretary. Such documentation must include a class list, indicating how much was paid by each student for fieldtrips and determination of fundraiser proceeds.
- B. The principal should perform oversight responsibility by reviewing the financial documents periodically to ensure that the recordkeeping staff maintains the records for future reviews. Also, the principal should ensure that custody of the End-of-Year MTF envelopes are not compromised.

2019.02: Mismanagement of Disbursements

The following exceptions were noted pertaining to the management of disbursements:

- A. ***Inadequate Principal Approval of Disbursements*** - There were **6** instances in FY 2018 where staff members purchased items and the principal's prior approval could not be determined because the principal did not append the date of approval. In some of the noted instances, the staff members did not seek the approval of the principal prior to purchasing the items or obligating the school financially.
- B. ***Inadequate Documentation of Disbursements*** - There were **3** instances in FY 2017 where a School Funds Expenditure Form was not completed as required by the APM.
- C. There was **1** instance in FY 2018 and **2** instances in FY 2017 where the documentation to support disbursements were not available for review. The pertinent documentations that were not available included School Funds Expenditure Form (SFEEF) and invoices.

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

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

- A. The APM Section 4.5.3.1, "*Pre-Approval by the Principal*" states that, prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form.
- B. All checks are required to have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documentation are cash register receipts, invoices, bills of sale, etc.
- C. According to the APM, all SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, SFEFs, cancelled checks and contracts.

The following reasons were noted for the occurrence of noncompliance with the requirement for administering SAF:

- A. Occasionally, the principal forgot to affix the dates on the SFEFs as part of the approval process. Also, a staff member purchased items in the absence of the principal in one instance.
- B. Internal Audit was unable to determine the reason(s) for not following BOE policies and procedures because the school did not have a recordkeeping staff during the time of the audit.

Turnover of the school's recordkeeping staff, twice in the past 2 school years, is partly responsible for the poor records management system. Also, the principal did not provide adequate oversight through periodic review of financial documents to ensure that the records were appropriately maintained.

Inadequate approval of expenditures can financially obligate the school for goods and services for which funds may not be available, negate the audit trail required to determine whether approvals were obtained as required and can lead to insolvency of the school. Also, failure to properly administer disbursements violates the Board Of Education's policies and procedures and exposes the school to fraud, waste and abuse of its resources. Non-retention of financial records increases the risk of fraud since the auditor cannot verify accuracy of transactions.

William Hall Academy
 Student Activity Funds
 Internal Audit Report
 For the Period Ended June 30, 2018

Recommendation: The following steps must be taken to ensure SAF is administered in accordance with requirements of the APM:

- A. All staff members must be reminded through written communication of the requirement to obtain the principal's approval prior to obligating the school financially. Also, the principal must remember to affix the date of approval to the SFEF.

- B. The principal should perform oversight responsibility by reviewing the financial documents periodically to ensure that the recordkeeping staff maintains the records for future reviews. Also, the principal should ensure that custody of the End-of-Year MTF envelopes are not compromised.

2019.03: Excessive Spending in Restricted Accounts.

The following restricted fund accounts contained deficits which aggregated to **(\$7,458.42)** as of June 30, 2018.

Account Number	Account Name	Amount
216.85	Boys Soccer Uniforms	(\$116.03)
309.00	Girls Mentoring Club	(\$146.65)
323.00	8th Grade Account	(\$3,613.68)
422.00	Field/family Day	(\$63.72)
425.20	Library Books	(\$477.35)
440.00	PBIS	(\$709.55)
478.00	Spirit Wear	(\$153.00)
480.00	Yearbook	(\$2,178.44)
Total Deficit		(\$7,458.42)

According to the APM, Restricted Funds are those funds that are raised by a specific group and/or for a specific purpose and are used exclusively for that group and/or purpose and not for general needs of the school. Their use should be restricted to the amount of funds available in those fund accounts. Also, the APM, Section 5.2.1, *Financial Reporting Procedures*, states that the principal, as the fiduciary agent for the SAF, should ensure that the accounts are solvent at all times.

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

The deficits occurred prior to the tenure of the current administration when expenditures were made without regard for the availability of funds in those restricted accounts. When restricted funds are not properly managed the risk of insolvency is increased.

Recommendation: The principal should liaise with Accounting and Financial Reporting to determine if any inactive restricted account balances could be used to resolve these deficits.

2019.04: Bank Statements Review

A review of the bank statements revealed that, the school does not have the original bank statements for all of the months during the audit period. Also, the principal has not always initialed the bank statements to indicate that they have been reviewed as required by the APM.

The principal is required to receive bank statements unopened. After reviewing the statement and the cancelled checks, the principal is also required to sign and forward bank statements to the recordkeeping staff to facilitate the bank reconciliation process.

The principal's failure to append her initials to the bank statements was an oversight. There was no explanation for the missing bank statement as the recordkeeping staff was not available.

Failure to secure original bank statements and indicate review by initialing does not conform to BOE policies and increases the risk of loss and fraud.

Recommendation: The principal should make a concerted effort to secure the original bank statements, append initials and date to all bank statements when they are received.

2019.05: Year-End Transmittal Process Not Being Followed

The audit documentation revealed that, 4 staff member(s) did not turn in any or all of the MTF remittances at the end of FY 2017 and FY 2018. Also, in FY 2017, the MTF documents were not sealed in individual staff member envelopes.

According to the APM, it is the responsibility of staff members to maintain and turn in all pink and yellow remittance copies of MTFs generated during the year to the principal's designated administrator, at year end. The remittance copies are required to be returned in year-end envelopes that are sealed and signed across the seal. Under no circumstances are the envelopes to be given to the bookkeeper.

The staff of the school did not follow policies and procedures regarding the year-end process as stated in the Accounting Procedures Manual. Also, the principal was not

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

conversant with the process while turnover of record keeping staff also contributed to this non-compliance.

The audit trail for determining that all funds collected were subsequently remitted for deposit is compromised when MTF remittances are not maintained as required.

Recommendation: The principal must ensure that, the year-end MTF envelop submission procedure is added to the checklist for end of the school year procedures at the school. Each staff member must be provided their respective Receiptee History Report prior to the end of the last day of school to allow adequate time to locate and turn in MTF remittance copies.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for William Hall Academy was issued for the period ended September 30, 2016. During that period, the principal was in his current position. The recordkeeping staff's tenure began in October 2018. The findings noted in the previous audit and the current status is noted below.

- **Delinquent Deposits** – Condition was not noted during this audit.
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2019.02** regarding *Mismanagement of Disbursements*.
- **Vending Machine Contracts** – Condition was not noted during this audit.
- **Drop Safe Not on Premises** – Condition was not noted during this audit.
- **Deficit in Principal Sponsored Activities Account** – Condition was not noted during this audit.
- **Fundraise Forms Not Completed-** Condition was not noted during this audit

ANCILLARY ISSUE

Internal Audit received a complaint from an anonymous caller On February 13, 2018, which was documented in hotline report #PGCPS-18-05-0001. The caller alleged that, staff members charged students excessive amounts of money. The caller did not indicate the purpose for the collection of funds and the amount that was involved.

Internal Audit examined the school's financial records, specifically fieldtrips and Eighth Grade accounts of the school to identify or determine any payments that may have been excessive. Internal Audit was unable to determine which payments were referenced by

William Hall Academy
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2018

the caller. In aggregate, the expenditures for all fieldtrips appear to be in excess of receipts for fieldtrips.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of William Hall Academy for their cooperation and assistance extended during the audit.