



September 4, 2018

**MEMORANDUM**

To: Susan Holiday, M. Ed, Instructional Director  
Cluster 2

Jill Walker, Principal  
Woodmore Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Student Activity Funds Financial Audit as of May 31, 2018

An audit of the financial records **Woodmore Elementary School** was completed for the period November 1, 2014 through May 31, 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 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 within **30** days, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office at [internal.audit@pgcps.org](mailto: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](mailto:Deborah.smalls@pgcps.org).

Enclosure

cc: Monica Goldson, Ed. D, Interim Chief Executive Officer of Schools  
Segun Eubanks, Ed. D, Board Chair  
Carolyn Boston, Vice Chair, Board of Education  
Members, Board of Education  
Helen Coley, Ed. D, Chief of School Support and School Leadership  
Kassandra Lassiter, Ed. D, Associate Superintendent, Elementary Schools  
Christian Rhodes, Chief of Staff  
Erica Berry Wilson, Esq., Board Executive Director  
J. Michael Dougherty, CPA, Esq., Director, Financial Services  
Alicia Robinson, Internal Auditor II

# Internal Audit Report

## Woodmore Elementary School Student Activity Funds

For the Period Ended May 31, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Woodmore Elementary School for the period November 1, 2014 to May 31, 2018. Woodmore Elementary School's principal is responsible for the administration of the 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,*
- *Depository Safe Not on School Premises,*
- *Mismanagement of Disbursements,*
- *Transactions Not Properly Recorded,*
- *Year-End Monetary Transmittal Form Envelope Submission Process,*
- *Unauthorized Transfer of Funds,*
- *Administration of Voided Checks,*
- *Fundraiser Reports Not Completed, and*
- *Improvement Needed in Management Oversight.*

These findings, individually or in aggregate, resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, considering the significant deviations from the criteria described in the preceding paragraph, the SAF referred to above, has not been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended May 31, 2018.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Woodmore Elementary School for the period November 1, 2014 to May 31, 2018. The audit was conducted as part of the annual audit plan.

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 for School Activity Funds (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period November 1, 2014 to May 31, 2018. Also, available 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 Funds Received**

There were at least **21** instances of non-compliance regarding the management of funds received. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **11** instances where funds were not remitted timely to the recordkeeping staff. Funds were held between **5** and **36** days prior to remittance. ***This finding was noted during the previous audit period ended October 2014.***
  
- B. ***Inappropriate Deposit Slips:*** There were at least **5** instances where generic deposit tickets were validated. Duplicate detailed deposit tickets indicating the amount of cash, checks and/or coins were not prepared and presented to the bank for validation.
  
- C. ***Monetary Transmittal Form Numbers Not Entered in School Funds Online (SFO):*** There were at least **5** instances where the recordkeeping staff did not enter MTF numbers into the school's accounting system.

The following criteria are established in the APM relative to administration of collection:

- A. The APM section 4.5.2.2 (1), (2) *Collecting Funds* require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution. Deposits are recommended at least every other day when funds under \$250.00 are collected. Funds collected in excess of \$250.00 are required to be deposited on the day of collection.
  
- B. The APM section 4.5.2.2 (3) *Preparing Bank Deposits* requires a duplicate bank deposit slip to be completed, validated by the bank, returned and attached to the MTF deposit documentation. Both the original and duplicate deposit slip should be taken to the bank to allow the duplicate to be validated. The validated copy is filed at the school with the MTF supporting the deposit.
  
- C. The SFO manual page 27 *Entering and Posting Manual Receipts* requires manual receipts (MTF number) to be entered into SFO.

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The following causes were provided for the non-compliance regarding management of receipts:

- A. Staff members collecting funds did not remit funds timely to the recordkeeping staff on the day of collection as instructed by principal.
- B. The current recordkeeping staff was not aware that a detailed deposit ticket should be validated by the financial institution and retained with the deposit records.
- C. The current recordkeeping staff was aware that MTF numbers should have been entered into SFO, but did not complete the task due to oversight.

Mismanagement of funds received constitutes noncompliance with BOE policies and procedures and increases financial risk to the school and to staff members. Specifically,

- A. Internal controls are compromised when funds are retained in the school for several days. Delinquent remittance of funds to the recordkeeping staff violate the school's compliance with APM requirements and can result in the potential for loss of funds.
- B. Without having detailed validated deposit slips it could not be determined that all funds collected were deposited in the same form as received.
- C. It could not be readily determined that all funds received were entered into SFO in the appropriate manner since documentation to substantiate collection was not recorded in SFO.

**Recommendation:** The following recommendations are suggested to comply with management of receipts of policies and procedures:

- A. The staff should be reminded and held accountable for ensuring that funds are remitted to the recordkeeping staff daily to ensure prompt deposit with the financial institution.
- B. The recordkeeping staff should complete and retain detailed validated deposit tickets to support the MTF documentation.
- C. The recordkeeping staff should ensure that MTF numbers are entered into SFO.
- D. The principal should complete a periodic review of cash receipt files to ensure compliance with Board policies and procedures (all funds are accurately documented, remitted and deposited timely; documentation is attached to MTFs, validated deposit tickets are attached to each deposit, MTF numbers are entered in SFO and applicable sales tax is assessed for all non-fundraiser items sold).

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- E. The recordkeeping staff should be held accountable for processing collections in accordance with requirements of the APM.

**2019.02 Depository Safe Not on School Premises**

The school did not have a depository (drop) safe to securely store funds remitted by staff members after normal business hours or in the recordkeeping staff's absence.

The APM section 4.5.2.2 (3) *Cash Receipts Guidelines for Bank Deposits* requires schools to secure funds in a locked fireproof safe, which is only accessible to the principal and recordkeeping staff. Drop safes are required for every school. The safe should be bolted to the floor and placed in a location accessible to the staff.

The principal did not comply with BOE policies and procedures from the previous audit findings. Staff members are disallowed the opportunity to securely remit funds when the recordkeeping staff is not available. Security of SAF is impacted by not having a drop safe as required by the APM. *This finding was noted during the previous audit period ended October 2014.*

**Recommendation:** The principal should ensure that a drop safe is purchased and installed in a location that is accessible to the staff. A safe log should be established to document when individuals place funds in the drop safe. The principal should complete periodic reviews of the safe and safe log to ensure compliance.

**2019.03 Mismanagement of Disbursements**

There were at least 4 instances of non-compliance regarding disbursements. The following indicates the instances of non-compliance:

- A. ***Overpayment:*** There was 1 instance where Staff Member A submitted a reimbursement request for \$1,677.64 where he purchased furniture for the teacher's lounge. The staff member included sales tax when submitting for reimbursement. The recordkeeping staff removed the sales tax however, failed to also remove the discount of \$25.00 received. The total reimbursement should have been **\$1,582.67**, resulting in an overpayment of **\$25.00**.
- B. ***Use of the Reimbursement Vendor Account in SFO:*** There were at least 3 instances where the former recordkeeping staff used the "Reimbursement Vendor" option to issue payments to BOE approved vendors instead of directly issuing the check payable to the vendors.



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The following criteria is established in the APM:

- A. The APM 4.5.3.1 (2) *Cash Disbursements Inclusion of Supporting Documentation* states that all checks must have itemized documentation attached to support the amount of the check. Documentation should be reviewed to ensure the check is made payable for an accurate amount.
- B. During January 2015, the BOE implemented SFO, the current accounting system, to track SAF. As part of this system, the "*Reimbursement Vendor*" option was created to post reimbursable expenses to staff. This option should not be used for making payments to approved vendors.

The following causes were provided for the non-compliance regarding management of disbursements:

- A. The current recordkeeping staff made an error in calculating the reimbursable amount excluding the discount.
- B. The former recordkeeping staff was not knowledgeable of the appropriate use of the "*Reimbursement Vendor*" option.

Internal controls are compromised and financial records are distorted when overpayments are issued and the "*Reimbursement Vendor*" option is incorrectly used to issue vendor payments.

**Recommendation:** The following recommendations are suggested for compliance with the requirements for disbursements:

- A. The principal should establish procedures to ensure that all disbursements are made in accordance with the APM and sound business practices. Reimbursements must be accurately processed by recalculating receipts submitted with the School Funds Expenditure Form (SFEF).

Staff Member A should be required to reimburse the school **\$25.00** for the overpayment issued. The school should send a copy of the completed MTF and validated deposit ticket verifying the funds have been paid. Staff Member A contacted Internal Audit on 6/27/18 to discuss overpayment and stated that he would reimburse the school \$25.00. Follow-up with Staff Member A should be performed to ensure reimbursement is completed.

- B. The recordkeeping staff must ensure that the "*Reimbursement Vendor*" option is selected in SFO when processing vendor payments. Checks issued to vendors must be made payable directly to the vendor and not classified as a reimbursement.

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**2019.04 Transactions Not Properly Recorded**

There were at least **21** instances where receipts and disbursements were incorrectly posted to various accounts. Disbursements totaling **\$3,766.49** were posted incorrectly to the following accounts: *General Fundraiser, Box Tops Fundraiser, Fall Fundraiser, PSA Food, PSA Transfer In, PSA Staff Appreciation, and Unrestricted Donation*. Funds collected totaling **\$1,247.33** were posted incorrectly to the *PSA Transfer In* account.

The APM Section 3.2.2 *Ownership, Bookkeepers/Financial Secretaries* states that the bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions. Also, the APM Section 4.3.2 *Fund Account Procedures* states that transactions should be recorded in the most specific account relating to the activity.

The current recordkeeping staff was not aware that the funds collected for fundraisers should be posted to the correct account then transferred to offset deficits in the unrestricted accounts. The current recordkeeping staff thought that the 15% fundraiser profit due to the PSA fund account could be posted directly to the account.

Financial records are distorted when receipts and disbursements are not posted accurately. Misclassified transactions affect the accuracy of the financial records, reporting and the principal's ability to make informed decisions. ***This finding was noted during the previous audit period ended October 2014.***

**Recommendation:** Due care should be exercised when recording transactions to ensure correct posting and accurate financial reporting. The current recordkeeping staff should become familiar with BOE policies for recording transactions to ensure that funds are accurately posted specifically regarding the PSA fund. The principal should perform periodic reviews of receipts and disbursements to ensure transactions are posted accurately.

**2019.05 Year-End Monetary Transmittal Form (MTF) Envelope Submission Process**

There were at least **6** staff members who failed to submit all of their MTFs for FY 2017 and FY 2016.

The APM section 4.5.2.2 (1) *Collecting Funds: Completing the Monetary Transmittal Form* stated that staff is responsible for maintaining an envelope containing all the MTF (pink and yellow) remittance copies prepared during the year. Staff members are required to submit copies in signed, sealed envelopes to the designated administrator during the year-end check out process. Under no circumstances should the signed, sealed MTF envelopes be given to the bookkeeper. The envelopes should remain sealed until

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requested by Internal Audit. The year-end MTF envelopes should be retained in a place that is inaccessible to the bookkeeper.

BOE policies and procedures relative to the MTF envelope submission process were not consistently followed during the year-end check out process. Internal controls relative to Year-end MTF envelope submission were not implemented to ensure that MTFs were retained and submitted during the year-end check-out process.

The audit trail for reviewing cash receipts was compromised by the unavailability of some staff members' MTF remittances. As a result, audit evidence for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased. *This finding was noted during the previous audit period ended October 2014.*

**Recommendation:** Staff must be reminded of their responsibility for retaining MTFs and submitting MTF envelopes as required. Staff members must be held accountable for compliance with the relative requirements.

The principal should require the recordkeeping staff to print the Receiptee History report and provide it to the administrator responsible for collecting MTF envelopes at year-end. The principal or designee, someone other than the recordkeeping staff, should ensure that all end of year MTFs are collected, kept in sealed envelopes and retained in a place that is **not accessible** to the recordkeeping staff until reviewed by Internal Audit.

#### **2019.06 Unauthorized Transfer of Funds**

There were at least 4 instances where inappropriate transfers were processed during the audit period. The recordkeeping staff performed 4 transfers totaling \$1,142.17 from *PY Carryover* to *Unrestricted Special Events*, and *Math and Classroom Materials/Supplies* accounts. The recordkeeping staff did not obtain prior approval from the Accounting and Financial Reporting Office (AFRO).

The APM section 4.5.5 *Prior-Year (PY) Carryover Funds* states that principals' may request the use of PY Carryover funds to purchase instructional materials, computers, maintenance needs, or other items for the school. The request must be sent to the AFRO detailing the reason for the transfer. Only upon written approval should funds be transferred from the PY Carryover account.

The current and former recordkeeping staff were not aware that all transfers processed from PY Carryover had to be approved by the AFRO. Funds transferred from PY Carryover without BOE approval can lead to misuse of school funds.

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**Recommendation:** The principal and bookkeeper should ensure that only allowable transfers are completed with appropriate documentation and approval from the AFRO.

**2019.07 Administration of Voided Checks**

There were at least 2 instances where checks were not properly voided by removed of the signature line.

The APM, section 4.5.3.2, *Summary of Check Disbursement Procedures* requires voided checks to be defaced and filed in check number order with cancelled check images.

The former recordkeeping staff did not consistently remove the signature line from voided checks. Inappropriate administration of checks constitutes noncompliance with BOE policies and procedures and increases the risk of check fraud, waste and abuse of the school's resources.

**Recommendation:** The following is recommended to comply with policies and procedures for appropriate management of voided checks:

- A. The principal and recordkeeping staff should review the APM and establish procedures to ensure proper administration of voided checks as required by the APM.
- B. Voided checks should be properly defaced as required by the APM.
- C. The principal should complete a periodic review of voided checks to ensure compliance with BOE policies and procedures.

**2019.08 Fundraiser Reports Not Completed**

Requirements for administering fundraisers during the audit period were not followed. The school held bookfair fundraising activities during the audit period. However, Fundraiser Completion Reports and annual reports summarizing all fundraising activities were not prepared were not completed.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete Fundraiser Completion Reports and the annual reports summarizing fundraising activities for all school-wide fundraisers. These documents must be maintained on file for public and auditor review upon request.

BOE policies and procedures relative to administering fundraisers were not followed even though this was a finding from the previous audit.

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It could not be readily determined whether the school's fundraisers yielded an overall profit for the school. Pertinent financial information for the principal to make fiscal decisions was not available. *This finding was noted during the previous audit period ended October 2014.*

**Recommendation:** The principal must establish procedures to ensure completion and approval of fundraising reports as required. The principal or designee should complete required fundraiser reports at the end of the each school year to summarize fundraising activities held. Required reports must be maintained on file for public and internal audit review.

**2019.09 Improvement Needed in Management Oversight**

Improvement is required for oversight of the administration of SAF. There were only 2 corrective actions successfully implemented from the 8 reportable conditions noted during the previous audit.

The principal is responsible for ensuring that SAF is administered in accordance with PGCPs policies and procedures and spent to provide the maximum benefit possible to students. "It is also important that the principal, who is ultimately responsible for these funds is aware that the success of the internal control system rests largely with them."

The principal did not implement procedures to ensure that previous findings were resolved. Students are not receiving the maximum possible benefit of the resources that should be available to them. *This finding was noted during the previous audit period ended October 2014.*

**Recommendation:** The principal should continue to review the APM and ensure that internal controls are operating effectively. The principal needs to continue to be involved in the daily operations as it relates to the administration of the school's resources to ensure fiscal accountability. Continued improvement of the internal control environment should be emphasized by focusing on these five basic principles of internal control:

- ❖ **Clearly defined lines of authority and responsibility,**
- ❖ **Segregation of duties,**
- ❖ **Maintenance of adequate documents and records,**
- ❖ **Limited access to assets, and**
- ❖ **Independent checks on performance.**

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**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Woodmore Elementary School was issued for the period ended October 2014. The current principal was on staff at that time. The current recordkeeping staff tenure began in August 2017. There were **8** findings noted as a result of the prior audit. There were **6** repeat findings noted in the current audit. The following findings were noted as a result of that audit and the current status is indicated below:

- **Delinquent Deposits** – Condition still exists. See **Finding 2019.01** regarding *Mismanagement of Funds Received*.
- **Inadequate Check Signing** – Controls appear to be working.
- **Safeguarding of Assets** – Condition still exists. See **Finding 2019.02** regarding *Depository Safe Not on Premises*.
- **Transactions not Properly Posted** – Condition still exists. See **Finding 2019.04** regarding *Transactions not Properly Recorded*.
- **Gift Card Purchased** – Controls appear to be working.
- **Year-End Monetary Transmittal Forms/Envelopes** – Condition still exists. See **Finding 2019.05** regarding *Year-End Monetary Transmittal Form (MTF) Envelope Submission Process*.
- **Fundraiser Forms** – Condition still exists. See **Finding 2019.08** regarding *Fundraiser Reports Not Completed*.
- **Improvement Needed in Management Oversight** – Condition still exists. See **Finding 2019.09** regarding *Improvement Needed in Management Oversight*.

**ACKNOWLEDGEMENT**

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