



July 24, 2019

MEMORANDUM

To: **Denise Greene Ed. D.**, Instructional Director,
Cluster 5

Unique Hunter-Blake, Principal
Brandywine Elementary School

From: **Michele Winston**, CPA,
Director Internal Audit

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

An audit of the financial records of **Brandywine Elementary School** was conducted for the period July 1, 2015 through April 30, 2019. 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 **August 24, 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, email address internal.audit@pgcps.org. A copy of your action plan should also be forwarded to Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enc.

cc:

Alvin Thornton, Ph. D., Chairman, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Educations
Helen Coley, Ed. D, Chief, School Support and Leadership
Kassandra Lassiter, Ed. D., Associate Superintendent, Area I
Christian Rhodes, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Joeday Newsom, Esq. Ethics Compliance Officer
Suzann King, Esq., Executive Director, Board of Education
Derrick Martin, Internal Auditor II

Internal Audit Report

Brandywine Elementary School Student Activity Funds

For the Period Ended April 30, 2019

Brandywine Elementary School
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Brandywine Elementary School for the period July 1, 2015 to April 30, 2019. Brandywine 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 and Fine Remittance*
- *Vending Machine Contract*
- *Fundraiser Forms*
- *Year-End Monetary Transmittal Envelopes*
- *Core Textbook Fees*
- *Transfers Not Properly Approved*

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 April 30, 2019.



Michele Winston, CPA
Director, Internal Audit

Brandywine Elementary School
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SUMMARY

Internal Audit completed an audit of student activity funds (SAF) for Brandywine Elementary School for the period July 1, 2015 to April 30, 2019.

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, 2015 to 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:

2020.01 Mismanagement of Disbursements and Fine Remittance

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

- ***Incomplete School Funds Available Forms:*** There were **15** instances where the “Funds Available” line under the “Request and Pre-Approval” section on the School Expenditures Form (SFEF) was not properly completed.
- ***Inadequate Approval:*** There were **11** instances where expenditures were not adequately approved by the principal.
- ***Core Textbook Fees Remittance:*** Funds totaling **\$162.97** collected as of 4/30/2019 for core textbook fines have not been remitted to the BOE.

The APM, Section 4.5.3, *Cash Disbursements* states that prior to ordering or purchasing goods or services; a SFEF must be fully completed and signed by the principal.

The Accounting Procedures Manual (APM), Section 9.7 *Textbook Replacement Fees*, states that reimbursement for core textbooks is required to be deposited into the school’s checking account and recorded in SchoolFunds Online (SFO) as restricted funds in the School Activity Fund (SAF). These funds must be remitted to the Accounting and Financial Reporting Office (AFRO) on a quarterly basis with a completed Textbook Reimbursement Form.

The school’s office staff were not held accountable to complete proper cash disbursement paper work because the principal retired mid school year. Also, there were several instances prior to the principal’s retirement where she forget to sign SFEF’s. The bookkeeper processed checks without proper approval because the expenditures were urgent, e.g. a field trip, or late invoice.

The office staff was unaware of the requirement to remit core textbook funds to the BOE on a quarterly basis.

Inadequate completion and approval of SFEFs reduces assurance that purchases were made in accordance with the APM or to provide benefit to students and increases the risk of fraud. Incomplete SFEFs also puts the school at risk for insolvency. When the “Funds Available” line is left blank the principal and school staff requesting authorization are unaware of to the availability of funds for expenditures.

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When core textbook fines are not remitted to the BOE, replenishment of missing or damaged text books may be affected.

Recommendation: The principal and recordkeeping staff should ensure that SFEFs are complete and properly approved prior to purchases being made. The recordkeeping staff should ensure the ‘funds available’ line on the SFEF is properly completed prior to forwarding the form to the principal for approval. Staff members and the recordkeeping staff must be held accountable for accurate completion of SFEFs.

Accounting and Financial Reporting should be immediately contacted to coordinate remittance of core textbook fines. The recordkeeping staff should also familiarize herself with the requirements for remittance of core textbook fines.

2020.02 Vending Machine Contract

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

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.”

Failure to have a formal contract in place that stipulates commission due and contract term constitutes non-compliance with BOE policies and procedures.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a contract from the current vending company or consult with Purchasing and Supply Service for identification of an alternate vendor.

2020.03 Fundraiser Forms

The school held several fundraisers during the audit period. However, Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and annual reports summarizing fundraising activities were not completed. The recordkeeping staff sponsored several school wide fundraisers, which was a violation of BOE policy and procedures.

The BOE policy *5135.1, Fundraising* requires completion of Fundraiser Request and Authorization Forms, Fundraiser Completion Report and annual summary of fundraising activities when fundraising events are held by schools. These documents must be maintained on file and made available for public and auditor review when requested.

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The recordkeeping staff's responsibility is to account for fundraising proceeds and not administering fundraisers.

BOE policies and procedures relative to administering fundraisers were not followed. According to the recordkeeping staff, she could not comprehend the calculations in the fundraiser forms and consequently did not use the forms when administering fundraisers. Furthermore, the recordkeeping staff was unaware of the administrative policy that prohibits her from sponsoring fundraisers.

It is difficult to determine whether the fundraisers conducted by the school yielded any financial benefit or loss when fundraiser forms are not completed. Financial records are not complete and information may not be available to make informed decisions on continuing fundraising activities in the future. Since the principal is the fiduciary agent for the school, she is responsible for approving all fundraiser requests. Segregation of duties is compromised when the recordkeeping staff sponsors fundraising events since she also has responsibility for verifying the proceeds from those events.

Recommendation: The recordkeeping staff must review BOE policy 5135.1, *Fundraising* and the APM to become familiar with responsibilities relative to fundraising activities. The principal must implement internal controls over fundraisers to ensure that all fundraisers are properly administered fundraising sponsors who do not have recordkeeping responsibilities. Adequate fundraising records must be prepared, approved and maintained via a records management system to facilitate retrieval of those forms and reports upon request of Internal Audit or anyone with reviewing authority.

2020.04 Year-End Monetary Transmittal Envelopes

The audit revealed the following regarding Year-End MTF envelopes:

- There were **2** instances where the yellow MTF remittances could be located for review and
- There were **6** instances where neither the yellow nor the pink MTF remittances were included in the MTF envelopes.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires that pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the Bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper prints the SFO "*Receiptee History*" Report and submit it to the designated administrator to alert the administrator which MTF envelope packages to expect.

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Reportedly, staff members did not submit the required yellow and pink copies at the end of the year because they were misplaced and staff members turned in only the forms they retained.

An ineffective year-end MTF process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendation: The principal and/or the principal's designee, with the assistance of the *SFO Receiptee History Report* provided by the financial recordkeeping staff, should ensure that all MTF envelopes are collected prior to the end of each school year. Staff should be held accountable for including all pink and yellow remittance copies in the envelopes returned.

2020.05 Transfers Not Properly Approved

There were **5** instances where the bookkeeper did not obtain approval from the Accounting and Finance Office for journal entrees made to transfer funds from the Prior Year Carryover account. There were **12** instances where the Fund Transfer Journal Entry Proof Sheet could not be located to substantiate approval of funds transferred between restricted accounts.

The APM, Section 4.5.5 *Prior-Year Carryover Funds*, states that In some cases, the Principal may request the use of Prior-Year Carryover funds to purchase instructional materials, computers, maintenance needs, or other items for the school. The request must be sent to the Accounting and Financial Reporting, detailing the items to be purchased, purpose and the amount of the request. The request will be reviewed and calculated, based on the total cash balance, and solvency of the school. Only upon written approval should funds be transferred from the PY Carryover account.

The Accounting Procedures Manual (APM) Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states, "Transfers between restricted accounts are only authorized if reviewed and approved by the principal."

The recordkeeping staff was not aware of the BOE policies and procedures that governs the transfer of funds.

Funds transferred from unrestricted to restricted accounts without principal approval can lead to misuse of the school's resources. Furthermore, the use of prior year funds without approval puts the school's solvency status at risk.

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Recommendation: The principal and recordkeeping staff should ensure that only allowable transfers are completed with accompanying approved Fund Transfer Journal Entry Proof Sheets that are retained on file as evidence of compliance. Accounting and Financial Reporting should be contacted and approval obtained prior to transferring funds from the Prior-Year Carryover account. The principal and recordkeeping staff must be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Brandywine Elementary School was issued for the period ended April 30, 2011. During that period, principal was in her current position; however, the recordkeeping staff was not in her current position. The previous audit report included 4 reportable conditions, of which 1 is repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Changes on MTF Improperly Made** – Controls appear to be working.
- **Expenditures Made Without Proper Approval** – Condition still exists. See **Finding 2020.01** regarding *Mismanagement of Cash Disbursements*.
- **Segregation of Duties** – Controls appear to be working.
- **Sales Tax Paid for Reimbursements to Staff Members** – Controls appear to be working.

ACKNOWLEDGEMENT

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