



December 19, 2019

MEMORANDUM

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

Betsy White, Principal
Overlook Spanish Immersion Elementary School

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

Re: Financial Audit for July 1, 2016 through September 30, 2019

An audit of the financial records of **Overlook Spanish Immersion Elementary School** was conducted for the period July 1, 2016 through September 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 January 31, 2020 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 Derrick Martin, Internal Auditor email address: Derrick.Martin@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 1
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Derrick Martin, Internal Auditor II

Internal Audit Report

Overlook Spanish Immersion Elementary School Student Activity Funds

For the Period Ended September 30, 2019

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Overlook Spanish Immersion Elementary School for the period July 1, 2016 to September 30, 2019. Overlook Spanish Immersion 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 Funds Received*
- *Year-end Monetary Transmittal Form Remittances*
- *Mismanagement of Disbursements*
- *Record Retention*
- *Fundraiser Forms*

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, 2019.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Overlook Spanish Immersion Elementary School for the period July 1, 2016 to September 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, 2016 to September 30, 2019. Also, the audit was limited to available receipts, disbursements and supporting documentation for the said period, See Finding 2020.04, *Record Retention*.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2020.01 Mismanagement of Funds Received

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

- ***Delinquent Deposits*** – During the audit there were **4** instances where the funds received were delinquently deposited. Included was 1 instance where the deposit was made **51** days late.
- ***Cash Deposit Support*** – There were **4** instances where the Bookkeeper accepted an MTF without proper documentation. The documentation provided did not equal the amount on the MTF in **2** of those instances.

The APM provides the following guidelines regarding administration of funds:

- ***4.5.2 Cash Deposits #2. Guidelines for Bank Deposits*** – “Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight. If money is kept on-hand at the school awaiting deposit, it must be kept in a secure location. A secure location is a locked fireproof safe, which only the Principal and Bookkeeper can access the contents.”
- ***4.5.2 Cash Deposits #3 Preparing Bank Deposits*** – “The Bookkeeper is responsible for counting cash, verifying the total on the MTF and applicable attachments. The funds counted must agree with the MTF and the actual funds submitted. When discrepancies are noted, the Bookkeeper must immediately contact the individual who submitted the MTF.

The current recordkeeping staff’s employment with PGCPSS began on September 4, 2019 and reportedly is not aware of any practices prior to her tenure. The deficiencies noted occurred prior to her tenure. The current principal performed school recordkeeping duties while the recordkeeping position was vacant. Due to the staffing shortage, there were some board policies that were not followed when collecting and depositing funds.

Internal controls on the collection and depositing of funds were compromised which increased the potential for loss of school assets.

Recommendation: Staff must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis to reduce tardiness of deposits. The principal must establish proper internal controls over funds received and consider establishing restricted hours for remitting funds to allow the recordkeeping staff enough time to properly make daily deposits.

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The recordkeeping staff must be held accountable for ensuring the appropriate documentation is submitted to support MTFs remitted. Furthermore, the recordkeeping staff should carefully review all supporting documents to ensure amounts are complete and correct.

2020.02 Year-end Monetary Transmittal Form Remittances

The year-end MTF submission process was not operating as required by the policies outlined in the APM. The MTFs remittances provided for review were for collection processed during FY 2017 and were not included in sealed MTF envelopes as required by the APM. MTF envelopes for FY 2018 and 2019 could not be located for review.

The APM provides the following guidelines regarding the collection of year-end MTF envelopes:

Staff collecting funds are required to complete MTFs and must retain remittance copies. The pink copy of the MTF is required to be retained by the preparer of the form. The white and yellow copy is submitted to the bookkeeper with funds collected. After approving the MTF, the bookkeeper returns the yellow copy to the originator. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow copies of the MTFs in a sealed envelope (with their signature over the seal) to the designated administrator.

The school's staff members were unaware of the MTF end of the year submission requirements. Also, the principal did not designate a staff member for the maintenance and collection of end of year MTFs.

Recommendation: The principal must designate an administrator to collect the MTF remittance copies during the end of the year close-out process. The designated administrator must be held accountable for ensuring **ALL** MTF envelopes are collected from staff. Staff members must be held accountable for returning MTF remittance copies in a signed and sealed envelope to the designated administrator. MTF envelopes must be secured in an area that is not accessible to the recordkeeping staff. These envelopes must be made available to auditors upon request for review. The principal should address MTF requirements as a part of the professional development at the beginning of the school year.

2020.03 Mismanagement of Disbursements

The audit revealed the following pertaining to management of disbursements:

- *Expenditures Made with Improper Approval* - there were **6** instances where the disbursement was not adequately approved.

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- ***Delinquent Payment of Invoices*** – There were **3** instances where the invoice payment was remitted late.

The APM Section 4.5.3 *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form (SFEF) must be fully completed and signed by the Principal. Section 4.2.2 *Bank Account Procedures* states there must be at least three authorized signers on the checking account (Principal, Bookkeeper, and another administrator). The principal and bookkeeper should be the primary signers on the account. The third should be an administrator (i.e., a vice-principal, teacher in charge or wing coordinator) who signs checks in one of the signatories' absence.

The APM further requires that invoices to be paid within 30 days of receipt. The principal should review invoices and statements for past due amounts and ensure payments are made in a timely manner.

The principal was without a bookkeeper for several months. As a result the principal had to ensure expenditures were paid by processing several checks without a third signer. Expenditures also were not adequately approved because of the office administrative staff shortage. Invoices were also oftentimes overlooked resulting in delinquent payments.

Failure to properly complete SFEF compromises the audit trail necessary for documenting expenditures. When checks are not properly signed by a counter signatory it puts the school at risk for unauthorized use of funds. Lastly, when invoices are paid delinquent, it jeopardizes the school's reputation with vendors.

Recommendation: The principal and bookkeeper should ensure expenditure forms are complete and properly approved prior to purchasing. The principal should ensure that all expenditures forms and checks are properly approved and signed. Lastly, the recordkeeping staff and principal should create a process to track and pay all outstanding invoices to avoid late payments.

2020.04 Record Retention

The following records were not available for audit review:

FY 2018

- Receipt Records - **5**
- Disbursement Records – **9**
- Voided Checks - **12**

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FY 2019

- Disbursement Cancelled check Image - **1**
- Transfer records - **38**

The APM states that accounting records and supporting documentation shall be opened and available to the auditors upon request. The BOE's record retention policy is 7 years or until the documents have been audited.

According to the current recordkeeping staff hired September 4, 2019, these records were misplaced by the previous recordkeeping staff. The recordkeeping staff and the principal made several attempts to locate the missing files; however, all attempts were unsuccessful.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining that SAF were properly administered.

Recommendation: The principal must ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Staff should be held accountable for compliance.

2020.05 Fundraiser Forms

The required fundraising forms were not completed for all fundraisers.

The BOE policy 5135.1, "Fundraising", indicates that when clubs and organizations have fundraisers, they must complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Report and the bookkeeper must complete the Annual Fund Raising Summary Report. These documents must be maintained on file for public and auditor review upon request. Additionally, the principal is responsible for approval of all fundraisers.

BOE policies and procedures as established in the APM relative to completion and retention of fundraiser forms was not followed.

It is difficult to determine whether the fundraisers conducted by the school yielded any financial benefit or loss due to the failure to complete fundraiser forms. 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, he/she is responsible for approving all fundraising requests. Delegation of this authority is against BOE policy and is contrary to proper internal controls.

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Recommendation: The principal must ensure staff sponsors complete the Fundraiser Completion and Approval Form at the end of each fundraiser. Staff should be held accountable for non-compliance. Also, at the end of the school year, the bookkeeper should generate a SFO report of all fundraising activities for the principal to complete the Annual Fund Raising Summary Report. An adequate filing system must be implemented to facilitate the retrieval of those forms and reports upon request of public or Auditor review.

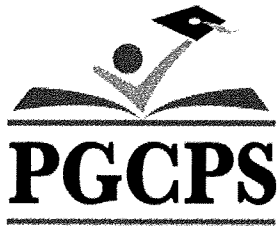
STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Overlook Spanish Immersion was issued for the period ended October 31, 2015. During that period, the principal and the recordkeeping staff did not hold their current positions. The previous audit report included 6 reportable conditions, of which 3 were repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **2016.01 Mismanagement of Funds Received** – See 2020.01 regarding *Mismanagement of Funds Received*.
- **2016.02 Mismanagement of Disbursements** – See 2020.03 regarding *Mismanagement of Disbursements*.
- **2016.03 Principal Sponsored Activity (PSA) Fund Deficit** – Controls appear to be working.
- **2016.04 Administration of Voided Checks** – Controls appear to be working.
- **2016.05 Year-end Monetary Transmittal Forms/Envelopes** – See 2020.02 regarding *MTF Remittances* and ; 2020.04, *Record Retention*.
- **2016.06 Improvement Needed in Management Oversight** – Controls appear to be working

ACKNOWLEDGEMENT

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



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ADDENDUM

Noted Personnel

- **Bookkeeper** – Theresa Crook (started September 4, 2019)
- **Former Bookkeeper** – Ingrid Villela (retired March 2019)
- **Principal** – Betsy White (started July 2017)
- **Former Principal** – Dr. Ingrid Williams-Horton (retired June 2017)