



June 23, 2021

MEMORANDUM

To: Niki Brown, Ed. D., Instructional Director
Cluster 4

Cameron Millspaugh, Principal
Cool Spring Elementary School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for July 1, 2016 through April 30, 2021

An audit of the financial records of **Cool Spring Elementary School** was completed for the period July 1, 2016 through April 30, 2021. 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 (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **July 23, 2021** 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. Please forward this template as a Microsoft Word document. A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Green, School Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Esq., Director, Financial Services
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1
Helen Coley, Ed. D., Chief, School Support and Leadership
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, Student Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Rhonda Carter, Internal Auditor II

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Cool Spring Elementary School for the period July 1, 2016 through April 30, 2021. Cool Spring 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 Generally Accepted Government Auditing Standards 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 Disbursements;*
- *Administration of Voided Checks;*
- *Mismanagement of Funds Received;*
- *Delinquent Monthly Bank Reconciliations; and*
- *Vending Machines Contract*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual (APM) for SAF.

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 April 30, 2021.



Michele Winston, CPA,
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the School Activity Funds (SAF) for Cool Spring Elementary School for the period July 1, 2016 through April 30, 2021. The audit was conducted as part of the department's 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 (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes **5** findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through April 30, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period. This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2021.01: Mismanagement of Disbursements

Cash disbursements reviewed during the audit period were not processed in accordance with BOE policies and procedures. The following exceptions pertaining to the management of disbursements were noted:

- A. ***Inadequate Approval*** – There were **3** instances where expenditures were not adequately approved. The section of the School Funds Expenditure Form (SFEF) for the principal’s approval was incomplete in **2** instances and not signed and dated by the principal in **1** instance.
- B. ***Inappropriate Use of Vendor Options*** – There were **7** instances where cash disbursement transactions totaling **\$400.00** were incorrectly processed for field trip refunds to parents using the “*Reimbursement*” vendor option instead of the “*Refund*” vendor option.

The APM provides the following guidelines regarding the administration of cash disbursements:

- A. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal. When the principal’s extended absence is anticipated, the pre-approval function may be delegated to a vice-principal (or alternate administrator).
- B. All checks must be written to an Approved/Active vendor in *School Funds Online*. The only exceptions are for staff reimbursements and parent refunds. When reimbursing a staff, the “*Reimbursement;*” vendor option is required and when refunds are processed to parents the refunds are required to be processed using the “*Refund*” vendor option in SFO.

The recordkeeping staff did not consistently follow established internal controls relative to management of disbursements to ensure SFEFs were properly completed. Due to an oversight, the principal did not properly approve one of the SFEFs. Also, the recordkeeping staff was

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unaware of the APM requirement for using the “*Reimbursement*” and “*Refund*” options when processing disbursements.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to adequately approve expenditures could result in payment for goods and services that were not received. Improper classification of disbursements impacts the accuracy of reporting that provides administrators with financial information for decision making.

Recommendation: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal must ensure staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance. SFEFs should be fully completed by staff prior to submission. The Principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures.
- B. The recordkeeping staff must familiarize herself with guidance for proper posting of refund checks.

2021.02: Administration of Voided Checks

The following exceptions pertaining to administration of voided checks were noted:

- A. There were **6** instances where voided checks were not properly voided by removal of the signature line.
- B. There were **5** instances where voided checks were not entered in the SFO accounting system.

According to the APM, all voided checks must be entered into SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached to Void Check Proof Sheets. All checks are required to be included and filed as part of the financial records.

The recordkeeping staff did not always follow established internal controls relative to administration of checks to ensure that all voided checks were properly entered in the SFO accounting system in accordance with APM requirements. Reportedly, the recordkeeping staff was unaware that voided checks caused by printer issues required removal of the signature lines. This caused the recordkeeping staff to overlook entering the checks in SFO.

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Mismanagement of checks constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to properly void checks by removal of the signature line and failure to enter each voided check into SFO removes accountability for voided checks and can result in unauthorized negotiation of checks.

Recommendation: The recordkeeping staff must review APM requirements for administering voided checks.

- A. All voided checks must be entered in SFO.
- B. The signature line must be removed from checks during the voiding process.

2021.03: Mismanagement of Funds Received

Collections were not always processed in accordance with APM requirements. The following exceptions pertaining to management of receipts were noted:

- A. ***Delinquent Deposits*** – There were **5** instances where deposits were not made timely. The range of delinquency was 4 to 6 days.
- B. ***Monetary Transmittal Form Completions*** – There was **1** instance where a MTF was not properly signed or dated by the preparer. In addition, there was **1** instance where white-out was used to make corrections on a MTF.
- C. ***Support and Approval for Transfer of Funds Received*** – There were **29** instances where supporting documentation could not be located to determine whether transfers were made in accordance with the requirements of the APM. There were also **4** instances where evidence of approval of fund transfers by the principal was not documented on Fund Transfer Journal Entry Proof Sheets as required.

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

- A. 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, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs. The MTF document has specific instructions for completing the form. The person collecting funds is responsible for completing all required information,

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- C. including signing and dating the form. Correcting errors using correction fluid, “whiteout” or any other method that obscures the original entry on the form is not permitted.
- D. Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Evidence of approval is documented on the Fund Transfer Journal Entry Proof Sheet.

According to the recordkeeping staff, a busy office and fulfilling other recordkeeping duties interfered with making deposits timely. Failure to perform verification of MTFs in 2 instances was an oversight on the recordkeeping staff’s part. The Fund Transfer Journal Entry Proof Sheets were not always maintained on file or properly approved by the principal and recordkeeping staff in accordance with APM requirements because the principal and recordkeeping staff did not fully read and understand the requirements in the APM regarding the processing of restricted fund transfers.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received and fund transfers constitutes noncompliance with the requirements of the APM. Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to properly document MTFs impacts the audit trail for determination of compliance with procedures. When supporting documentation is not available to substantiate transfers there is no evidence that transfers were authorized or were processed as required to benefit the student population.

Recommendation: The following corrective actions should be implemented for Cool Spring Elementary School collections to be processed in accordance with APM requirements:

- A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**. The principal must provide the bookkeeper with adequate time to review and make prompt deposits. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- B. The recordkeeping staff must ensure that MTFs are signed and properly completed prior to acceptance and deposit of funds.
- C. The principal and recordkeeping staff must read the APM and establish internal controls to ensure that transfers between restricted accounts are adequately supported and only authorized if reviewed and approved by the principal.

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2021.04: Delinquent Monthly Bank Reconciliations

Monthly bank reconciliations were not performed by the 15th of each month as required. There were **13** instances where the bank account was **not** reconciled timely during the audit period. The range of delinquency was 2 to 30 days.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal is required to forward the documents to the bookkeeper for reconciliation. The bookkeeper should complete the reconciliation within 7 days after receiving the statement from the bank. Typically, this process is required to be completed by the 15th of each month. The completed bank reconciliation should be submitted to the principal every month for review and approval.

The recordkeeping staff stated that a busy office and fulfilling other recordkeeping duties interferes with the timely preparation of monthly reconciliations. Delinquent bank reconciliations impact the timeliness for identifying timing differences.

Recommendation: The principal must ensure that the recordkeeping staff is allowed designated time for timely preparation of bank reconciliations and financial reporting by the 15th of each month as required.

2021.05: Vending Machines Contract

A current signed contract stipulating commissions due the school and frequency of commissions was not on file for the 2 vending machines installed on the school's premises to service the school's faculty.

According to the APM, Section 9.8, *Vending Machine Sales*, all schools with vending machines are required to have a signed contract stipulating commissions due to the school and frequency with which these commissions are remitted. The contract term cannot exceed one year.

According to the principal, the vendor desired a multi-year contract with the school for vending services, but was informed by the principal that a contractual agreement for vending services could only be established annually. There was no further communication with the vendor since that time.

The absence of a valid contractual agreement for vending, prevents the BOE from determining whether the school is deriving maximum benefits from operation of the vending machines.

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Recommendation: The principal must establish procedures to ensure that a current vendor contract is established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in the absence of a contract.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Cool Spring Elementary School was issued for the period ended August 31, 2015. During that period, the current Principal and recordkeeping staff were assigned to the school. The previous audit report had 2 reportable conditions, and neither is repeated in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Inadequate Supporting Documentation of Disbursements** – Controls appear to be working.
- **Deficit in the Principal-Sponsored Activities Fund Account** – Controls appear to be working.

ACKNOWLEDGEMENT

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

2.	<u>2021.02:</u> <u>Administration of</u> <u>Voided Checks</u>	The recordkeeping staff must review APM requirements for administering voided checks.	Concur	The recordkeeping staff will review requirements for administering voided checks.	July 9, 2021	Implemented
		A. All voided checks must be entered in SFO.	Concur	All voided checks will be entered in SFO.	Ongoing	Partially Implemented
		B. The signature line must be removed from checks during the voiding process.	Concur	The signature line will be removed on all voided checks.	Ongoing	Partially Implemented
3.	<u>2021.03:</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	The following corrective actions should be implemented for Cool Spring Elementary School collections to be processed in accordance with APM requirements:				
		A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of \$250.00 . The principal must provide the bookkeeper with adequate time to review and make prompt deposits. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. B. The recordkeeping staff must ensure that MTFs are signed and properly completed prior to acceptance and deposit of funds.	Concur	All funds collected prior to the end of the bookkeeper's day will be allowed time to deposit such funds. Funds that are over \$250, will be deposited on the same day they were collected; as well as, other lesser amounts collected that can be deposited within the contractual hours of the bookkeeper's duty day. Time will be provided daily for the bookkeeper to review and make prompt deposits.	July 9, 2021	Partially Implemented
			Concur	The bookkeeper will ensure that all MTF's are signed and properly completed prior to acceptance and deposit of funds.	Ongoing	Partially Implemented

Principal Signature



Date

7-19-2021

		C. The principal and recordkeeping staff must read the APM and establish internal controls to ensure that transfers between restricted accounts are adequately supported and only authorized if reviewed and approved by the principal.	Concur	The Principal and Recordkeeping staff will read the APM and establish internal controls between accounts and only authorized if reviewed and approved by the principal.	August 2021	Partially Implemented
4.	<u>2021.04: Delinquent Monthly Bank Reconciliations</u>	The principal must ensure that the recordkeeping staff is allowed designated time for timely preparation of bank reconciliations and financial reporting by the 15 th of each month as required.	Concur	The principal will ensure time is allowed and designated for timely preparation of bank reconciliations and financial reporting by the 15 th of each month as required.	August 13, 2021	Partially Implemented
5.	<u>2021.05: Vending Machines Contract</u>	The principal must establish procedures to ensure that a current vendor contract is established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in the absence of a contract.	Concur	The principal will establish a current vendor contract and maintain the contract on file. The Principal will consult with Purchasing and Supply Services to identify an alternative vending company in the absence of a contract.	August 6, 2021	Partially Implemented

Principal Signature 

Date 7-19-2021