



April 16, 2021

**MEMORANDUM**

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

Patricia Haith, Principal  
Lewisdale Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for July 1, 2016 through January 31, 2021

An audit was completed on the financial records of **Lewisdale Elementary School** for the period July 1, 2016 through January 31, 2021. The audit indicates the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds (SAF) 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 **May 17, 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](mailto: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](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org) and Katrina Greene, School Activity Funds Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Esq., Director, Financial Services  
Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools  
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, School Activity Fund Support Specialist  
Suzann King, Esq., Executive Director, Board of Education  
Janice Walters-Semple, CPA, Supervisor Internal Audit  
Rhonda Carter, Internal Auditor II

**Internal Audit Report**

**Lewisdale Elementary School  
School Activity Funds**

**For the Period Ended January 31, 2021**

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**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Lewisdale Elementary School for the period July 1, 2016 through January 31, 2021. Lewisdale 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 (AICPA) 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; and*
- *Delinquent Monthly Bank Reconciliations*

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 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 January 31, 2021.



Michele Winston, CPA, Director  
Internal Audit

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**SUMMARY**

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Lewisdale Elementary School for the period July 1, 2016 through January 31, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated 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 **3** 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. 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 January 31, 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 School Operating Resource (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 management of disbursements were noted:

- A. *Delinquent Vendor Payments* – There were **2** instances where payments were not remitted to the vendor in a timely manner and the School Fund Expenditure Form (SFEF) was not properly completed for each expenditure. The delinquency of the expenditures was 10 and 162 days, respectively.
- B. *Inadequate Approval* – There were **2** instances where approval of purchases was post-dated. The SFEFs were approved by the principal after the purchases were made.
- C. *Support for Transfer of Funds* – There were **2** instances where supporting documentation could not be located to determine whether transfers were made in accordance with the requirements of the APM. The Funds Transfer Journal Entry Proof Sheets were not provided for review.

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

- A. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- B. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal.
- C. 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.

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The delinquent payments occurred because the recordkeeping staff inadvertently missed the due date for the fieldtrip transportation invoice which resulted in 10 days delinquency. An invoice from the BOE was overlooked because the SFEF was not properly completed by the fieldtrip coordinator and attached to the fieldtrip request form to ensure timely processing of the payment. Staff members did not entirely complete SFEFs when seeking pre-approval of expenditures. Due to circumstances from a flood in September 2020, Fund Transfer Journal Entry Proof Sheets were improperly safeguarded and not available for review.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Delinquent payment of invoices could result in vendors placing the BOE's account with a collection agency where significant collection fees could be assessed. Inadequate approval of expenditures increases the risk of inappropriate expenditures. The audit trail for determining proper allocation of funds is compromised when support for approval of transfer of funds is not available for review.

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

- A. The principal and recordkeeping staff must ensure vendor payments are issued timely, within 30 days of receipt or by the invoice due date. Supporting documentation must be reviewed for completeness to facilitate timely processing of payments.
- B. The principal must ensure that staff members are reminded that pre-approval is required prior to the purchase of goods or services. SFEFs should be entirely completed and properly submitted by staff. Staff members must be held accountable for compliance.
- C. The principal must establish internal controls to ensure consistency in review and approval of the fund transfers. Evidence of compliance must be properly safeguarded and made available for review when requested.

**2021.02: Administration of Voided Checks**

The following exceptions pertaining to administration of checks were noted:

- There were **5** instances where checks were not properly voided by removal of the signature lines as required by the APM.

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- A voided check was not properly entered into the School Funds Online (SFO) accounting system in accordance with BOE policies and procedures.

According to the APM, all voided checks are required to 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 approved SFEF’s or Void Check Proof Sheets. All checks are required to be included and filed as part of the financial records.

Reportedly, the recordkeeping staff was under the impression that the signature line only needed to be removed if an authorized signature was present. Due to an oversight, a voided check was not properly entered in the SFO accounting system.

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 could result in unauthorized negotiation of checks and increases the school's vulnerability to potential misuse or waste of resources.

**Recommendation:** The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO and have “VOID” written across the face of the check, and the signature line must be removed during the voiding process. The recordkeeping staff must review the APM for clarity relative to voiding checks.

**2021.03: Delinquent Monthly Bank Reconciliations**

Monthly bank reconciliations were not performed by the 15<sup>th</sup> of each month as required. There were **14** instances where the bank account was **not** reconciled timely during the audit period. The range of delinquency was 2 to 18 days.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal forwards the documents to the bookkeeper for reconciliation. The bookkeeper is required to complete the bank reconciliation within 7 days of receiving the statement from the bank. This process is required to be completed by the 15<sup>th</sup> of each month. The completed bank reconciliation should be returned to the principal every month for review and approval.

BOE policies and procedures as established in the APM regarding monthly reconciliation and financial reporting were not always followed. The principal did not consistently exercise oversight to ensure that monthly reconciliations and financial reporting was complete by the 15<sup>th</sup> of each month. Failure to complete, review and approve monthly bank reconciliations in a timely manner increases financial risk the school.

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**Recommendation:** The principal must establish financial reporting procedures to ensure that monthly bank reconciliations and financial reporting occur by the 15<sup>th</sup> of each month and are properly reviewed and approved.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Lewisdale Elementary School was issued for the period ending June 30, 2011. During that period, the principal and recordkeeping staff held their respective positions. The previous audit report included **4** reportable conditions and none are repeated in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Supporting Documentation did not Match Disbursements** – Controls appear to be working.
- **Insufficient Cash Receipts Documentation** – Controls appear to be working.
- **Contract for Vending Services** – Controls appear to be working.
- **End-of-Year MTF Forms** – Controls appear to be working.

**ACKNOWLEDGEMENT**

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



2.	<b><u>2021.02:</u></b> <b><u>Administration of</u></b> <b><u>Voided Checks</u></b>	The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO and have "VOID" written across the face of the check, and the signature line must be removed during the voiding process. The recordkeeping staff must review the APM for clarity relative to voiding checks.	Concur	Though voided checks were indicated as such by the writing of "void", the financial recordkeeping staff will further deface all voided checks by the removal of the signature line not only on signed checks but blank signature lines as well. The principal will review all voided checks to ensure this process is implemented.	April 2021	Implemented
3.	<b><u>2021.03: Delinquent</u></b> <b><u>Monthly Bank</u></b> <b><u>Reconciliations</u></b>	The principal must establish financial reporting procedures to ensure that monthly bank reconciliations and financial reporting occur by the 15 <sup>th</sup> of each month and are properly reviewed and approved.	Concur	I along with the Bookkeeper will immediately designate a time to work solely on her financial responsibilities and I will share the SunTrust DDA Statement as soon as received following the APM guidelines regarding completing financial reporting each month.	April 2021	Implemented

Principal Signature



Date

5/11/21