



May 26, 2022

MEMORANDUM

To: Ebony Cross Shields, Instructional Director
Cluster 6

Michelle Tyler Skinner, Principal
Columbia Park Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period July 1, 2017 through February 28, 2022

An audit of the financial records of **Columbia Park Elementary School** was completed for the period July 1, 2017 through February 28, 2022. 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 Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **June 27, 2022** 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, Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, School Activity Funds 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
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
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Internal Audit Report

**Columbia Park Elementary School
School Activity Funds**

For the Period Ended February 28, 2022

Columbia Park Elementary School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Columbia Park Elementary School for the period July 1, 2017 through February 28, 2022. Columbia Park 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:

- *Delinquent Deposit of Funds Received*
- *Mismanagement of Disbursements*
- *Untimely Bank Reconciliations*
- *Inaccurate Fund Transfer*
- *Excessive Spending in Restricted Fund Accounts*

Individually or in the aggregate, these findings resulted in a 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 APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended February 28, 2022.



Michele Winston, CPA
Director, Internal Audit

Columbia Park Elementary School
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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Columbia Park Elementary School for the period July 1, 2017 through February 28, 2022. 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 for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes 5 findings which occurred under the leadership of the current principal and acting 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 to determine whether the school was in compliance with the policies and procedures of the APM and the 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2017 through February 28, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said 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:

2022.01: Delinquent Deposit of Funds Received

There were **5** instances where funds received from students for various student activities were delinquently deposited. The delinquencies ranged from 7 to 21 days.

The APM, *Guidelines for Bank Deposits* requires bookkeepers to make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.

According to the principal, the previous recordkeeping staff was frequently on leave which resulted in delinquent deposits.

Delinquent deposits of funds received constitutes non-compliance with BOE policies and procedures and increases the risk of loss to the school. The absence of supporting documentation also makes it impossible to verify all SAF collected were subsequently deposited.

Recommendation: The principal must establish compensating controls to ensure that deposits are performed timely in the recordkeeping staff's absence.

2022.02: Mismanagement of Disbursements

The following exceptions were noted relative to the administration of disbursements:

- ***Delinquent Vendor Payments:*** There were **2** instances where vendor payments were not processed in a timely manner as required by the APM. These payments were processed 38 and 238 days late. One expenditure also did not include any evidence of the principal's approval.
- ***Inadequate Documentation of Disbursements*** - There were **7** instances where refunds to parents did not include appropriate supporting documentation such as SFEFs and original MTFs to substantiate the transactions.
- ***Inappropriate Voiding of Checks*** - There were **2** instances where voided checks were not posted to SFO.
- ***Retention of Checks*** - There were **3** cancelled checks and 3 voided checks that could not be located for audit.

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

- Section 4.5.3.1 (2) *Cash Disbursement Procedures, Inclusion of Supporting Documentation* requires payment of invoices by the due date or within 30 days of receipt.
- Section 4.5.3.1 (2) *Cash Disbursement Procedures, Inclusion of Supporting Documentation*, also requires all checks to have itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check.
- Section 4.5.3.1 (4) requires all checks to be written from the accounting system, SFO.
- Section 6.12, *Record Retention* requires the retention of all SAF records for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.
- According to the principal, both the principal and recordkeeping staff were on extended leave. During their absence, AFRO staff assisted in processing vendor payments. Consequently, there were delinquencies and inadequacies in accounting for expenditures.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Inaccurate recording of disbursements will result in inaccurate financial reporting upon which administrators rely to make informed financial decisions. Also, untimely payment of vendor invoices may result in the school being assessed late fees.

Recommendation: The following steps must be taken to improve the management of disbursements:

- An adequate system of internal controls must be established to ensure adequate documentation of expenditures, including checks and prompt processing of vendor payments.
- An adequate records management system must be implemented that ensures the maintenance of all financial records in an organized manner at all times.

2022.03: Untimely Bank Reconciliations

There were **8** instances where monthly bank reconciliations reviewed were not prepared and reviewed in a timely manner as required. The bank reconciliations were prepared between 5 and 79 days delinquent.

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The APM Section 5.1.2 *Monthly Reconciliation and Financial Reporting* states that the bookkeeper is required to complete the bank reconciliation within 7 days of receiving the statement from the bank. All financial reports should be completed by the 15th of each month and submitted to the principal for review and approval.

According to the principal, the delinquent bank reconciliations occurred during a period when the secretary on staff had not been trained. At that time AFRO performed the monthly bank reconciliations. Requests for AFRO's assistance was not done timely.

Delinquent reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify erroneous transactions may also be impacted.

Recommendation: The principal must ensure that requests for training of the school's recordkeeping staff and assistance with preparation of bank reconciliations are done in a timely manner.

2022.04: Inaccurate Fund Transfer

There was an instance where the school received profits from a bookfair fundraiser that totaled \$394.02. The entire amount (100%) was transferred to Principal Sponsored Activities (PSA) instead of 15% as required by the APM.

The APM, Section 9.6, *Principal Sponsored Activities*, outlines appropriate transfers to PSA from fundraisers by stating that expenditures for authorized PSA are restricted to the funds available from identified sources. Specifically 15% of school-wide fundraiser profits are permitted to be transferred to PSA.

According to the principal, this incident occurred during the extended leave of absence. During that time, the school did not have recordkeeping staff and was supported by an acting principal.

Improper transfer of fundraiser profits to PSA fund accounts impacts the availability of resources that would otherwise be available to satisfy the needs of the student population.

Recommendation: The principal must implement adequate financial reporting internal controls to ensure that fund transfers are accurately posted in the absence of the principal and or recordkeeping staff. The recordkeeping staff must be instructed to transfer the excess fundraiser profit posted to the PSA fund account back to the bookfair fundraiser account.

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2022.05: Excessive Spending in Restricted Fund Accounts

The following restricted accounts had deficits as of February 28, 2022 which aggregated to approximately (\$4,219.83).

Account number	Account Name	Amount
306.00	6 th Grade	(\$ 305.70)
308.00	Employee Sunshine Fund	(\$ 114.55)
440.00	PBIS	(\$ 3,348.58)
450.20	PSA Food	(\$ 451.00)
	Total Deficits	(\$ 4,219.83)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted expenditures exceed the funds received, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are solvent at all times.

Reportedly, the deficit in the Employee Sunshine Fund Account existed prior to the principal's tenure at the school and cannot be offset by SAF. The PBIS fund account was overspent in an attempt to use funds to increase student attendance and behavior incentives. The PSA food and 6th Grade fund accounts were overspent in anticipation of future collections. Spending from SAF occurred without regard for the availability of funds in the respective fund accounts.

The risk of insolvency increases when restricted funds are overspent or improperly managed.

Recommendations: The principal should continue to seek opportunities to clear these deficits. The recordkeeping staff must always review account balances and indicate whether funds are available in the respective fund account prior to forwarding the School Funds Expenditure Forms to the principal for preapproval of expenditures. The principal should reject requests for spending when funds are not available in the restricted fund accounts. Further, all expenditures from these accounts must cease until the deficits are eliminated.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Columbia Park Elementary School was issued for the period ended June 30, 2017. During that period, the principal was on staff. The recordkeeping staff's tenure began in 2022. A total of 7 findings were noted in that audit and all have been partially or entirely repeated in this audit as indicated below.

- **Mismanagement of Funds Received** - This condition was still noted. **See Finding 2022.01** regarding *Delinquent Deposit of Funds Received*.
- **Mismanagement of Disbursements** - This condition was still noted. **See Finding 2022.02** regarding *Mismanagement of Disbursements*.
- **Administration of Checks** - This condition was partially noted. **See finding 2022.02** regarding *Mismanagement of Disbursements*.
- **Administration of Voided Checks** - This condition was partially noted. **See finding 2022.02** regarding *Mismanagement of Disbursements*.
- **Financial Reporting** - This condition was partially noted. **See finding 2022.03** regarding *Untimely Monthly Bank Reconciliations*.
- **Fundraiser Forms** - This condition was not noted during the audit.
- **Restricted Fund Account Deficits** - This condition was still noted. **See Finding 2022.05** regarding *Excessive Spending in Restricted Fund Accounts*.

ACKNOWLEDGEMENT

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