

September 15, 2021

MEMORANDUM

To: Susan Holiday, Instructional Director
Cluster 2

Tonya Riggins, Principal
Lake Arbor Elementary School

From: Michele Winston, CPA, Director, 
Internal Audit

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

An audit of the financial records of **Lake Arbor Elementary School** was completed for the period July 1, 2016 through June 30, 2021. The audit indicates 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 **October 15, 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 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
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

Internal Audit Report

**Lake Arbor Elementary School
School Activity Funds**

For the Period Ended June 30, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Lake Arbor Elementary School for the period July 1, 2016 through June 30, 2021. Lake Arbor 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; 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 (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 June 30, 2021.



Michele Winston, CPA, Director
Internal Audit

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For the Period Ended June 30, 2021

SUMMARY

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Lake Arbor Elementary School for the period July 1, 2016 through June 30, 2021. The audit was conducted as part of the 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 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. 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 June 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 school operating resource 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: 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 was **1** instance where an expenditure was not adequately approved. The School Funds Expenditure Form (SFEF) was approved by the principal after the purchase.
- B. *Delinquent Vendor Payment* - There were **2** instances where expenditures were not remitted to the vendor in a timely manner. The range of delinquency was between 94 and 149 days.

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. If a principal's extended absence is anticipated, the pre-approval function may be delegated to an assistant principal (or alternate administrator).
- B. 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.

The recordkeeping staff did not consistently follow established internal controls relative to management of disbursements to ensure SFEFs were properly approved prior to obligating the school. A staff member made two purchases on different dates and remitted the SFEF after the second purchase and subsequent to the SAF fiscal year close-out in one instance. An invoice for field trip transportation costs was received in March 2020 during school closures for COVID-19 and was not paid until June 2020 when the recordkeeping staff was required to return to the office.

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Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to timely approve expenditures and process vendor payments could result in inaccurate reporting and or late fees being assessed to the school.

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

- A. The principal must ensure the recordkeeping staff is held accountable for compliance with the requirement for obtaining approval of expenditures prior to making purchases. The Principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures.
- B. The principal and recordkeeping staff must remind staff members of the importance of remitting invoices promptly to avoid late payment fees and to ensure accurate financial reporting.

2022.02: Administration of Voided Checks

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

- There were **3** instances where voided checks were not properly voided by removal of the signature line.
- There was **1** instance where a voided check was not entered into the SFO accounting system.
- There were **2** instances where voided checks could not be located for review to determine whether they were properly voided in accordance with APM requirements.

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

Sections 4.5.3.1 (4), *Check Writing* and 4.5.3.2 *Summary of Cash Disbursement Procedures* state that all checks must be processed from SFO. The word “VOID” is required to be 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.

Section 6.12 of the Accounting Procedures Manual, *Record Retention*, states that all SAF records must be retained for a period of **7** years and/or until audited, including the current fiscal

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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.

The checks were voided because of printing errors. The recordkeeping staff was unaware that the signature line still needed to be removed despite the printer errors. While transitioning into the recordkeeping position, the recordkeeping staff did not have access to the SFO accounting system to input 1 voided check. The 2 instances of misplaced voided checks occurred during the transition process.

Failure to process voided checks as required by the APM could result in unauthorized negotiation of checks and increases financial risk to the school. Failure to make financial records available for audit compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The following corrective actions should be implemented for checks to be voided as required:

- A. 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.
- B. The recordkeeping staff must be held accountable for ensuring proper custody of all voided checks.

2022.03: Delinquent Monthly Bank Reconciliations

There were 2 instances where monthly bank reconciliations were not performed by the 15th of each month as required. The delinquency was 10 to 24 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 reconciliation within 7 days after receiving the statement from the bank. Typically, this process is completed by the 15th of each month. The completed 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 consistently followed. According to the recordkeeping staff, other competing duties, particularly registration of students, caused occasional delays in completing the monthly bank reconciliations by the 15th of each month.

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Delinquent monthly bank reconciliation prevents financial information from being readily available for review and to inform financial decisions.

Recommendation: The principal must ensure that established procedures are consistently followed by the recordkeeping staff to allow for preparation of monthly reconciliations by the 15th of each month as required. The principal should consider designating specific time period monthly for the recordkeeping staff to complete the bank reconciliation and financial reporting package.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Lake Arbor Elementary School was issued for the period ended August 31, 2015. During that period, the principal was in the position, however, the current recordkeeping staff was assigned to that position in October 2016. The previous audit report included **8** 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 status is indicated below:

- **Excessive Amount of Funds Found in Safe** – Controls appear to be working.
- **Mismanagement of Disbursements** – Controls appear to be working pertaining to inaccurate documentation.
- **Mismanagement of Funds Received** – Controls appear to be working.
- **Fundraiser Forms** – Controls appear to be working.
- **Inadequate Segregation of Duties** – Controls appear to be working.
- **Deficit in Principal-Sponsored Activities Fund Account** – Controls appear to be working.
- **Administration of Voided Checks** – Condition still exists. **See Finding 2022.02**, regarding *Administration of Voided Checks*.
- **Management Oversight** – Controls appear to be working.

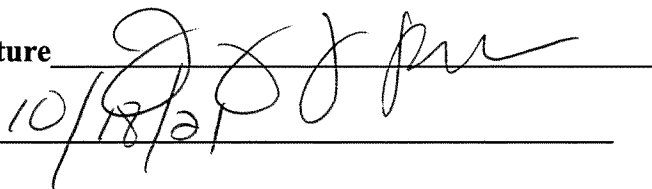
ACKNOWLEDGEMENT

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

				was not delivering mail. Thus, the mail was not received until June which at that point, the invoice was paid.		
2.	<u>2022.02: 2022.02: Administration of Voided Checks</u>	<p>The following corrective actions should be implemented for checks to be voided as required:</p> <p>A. 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.</p> <p>B. The recordkeeping staff must be held accountable for ensuring proper custody of all voided checks.</p>	Concur	<p>A. All checks were voided. However, the signature line was not removed. The secretary is now aware to remove the signature line</p> <p>B. The unaccountable check in question was misplaced by the previous bookkeeper. The new bookkeeper assigned will ensure proper custody of all voided checks.</p>	August 31, 2021	Implemented
3.	<u>2022.03: Delinquent Monthly Bank Reconciliations</u>	The principal must ensure that established procedures are consistently followed by the recordkeeping staff to allow for preparation of monthly reconciliations by the 15 th of each month as required. The principal should	Concur	A. The Secretary II's are now held responsible for summer enrollments. The 2 occurrences took place in the busiest months of enrollment. The bookkeeper has ensured	August 31, 2021	Implemented

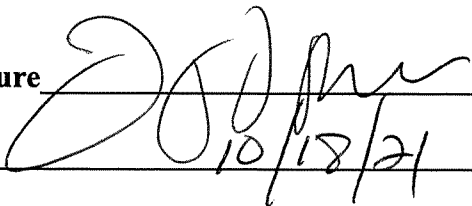
Principal Signature _____

Date _____


10/18/21

		consider designating specific time period monthly for the recordkeeping staff to complete the bank reconciliation and financial reporting package.		that monthly reports are reconciled by the 15th of each month.		
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Principal Signature



Date

10/18/21
