



January 25, 2018

MEMORANDUM

To: Tasheka Green, Ed. D, Instructional Director
Cluster 11

Shawna Fagbuyi, Principal
Allenwood Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of November 30, 2017

An audit of the financial records **Allenwood Elementary School** was completed for the period July 1, 2014 through November 30, 2017. 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 the Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan within **30** days, 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, Attention: Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: Deborah.smalls@pgcps.org.

This report is intended solely for information and use of the Board Chair and Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended to be and should not be used by anyone other than the specified parties.

cc: Kevin Maxwell, Ph. D., Chief Executive Officer of Schools
Segun Eubanks, Ed. D., Board Chair
Carolyn Boston, Vice Chair, Board of Education
Edward Burroughs, Board Member, District 8
Monique Whittington Davis, Ed. D., Deputy Superintendent
Melissa McGuire, Ed. D., Associate Superintendent, Area III
Erica Berry Wilson, Esq., Executive Director, Board of Education
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John Pfister, Chief Financial Officer
Alicia Robinson, Internal Auditor II

Internal Audit Report

Allenwood Elementary School Student Activity Funds

For the Period Ended November 30, 2017

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

Table of Contents

INTERNAL AUDITOR'S REPORT.....	2
SUMMARY.....	3
OBJECTIVES.....	3
SCOPE.....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS.....	10
ACKNOWLEDGEMENT.....	11

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Allenwood Elementary School for the period July 1, 2014 to November 30, 2017. Allenwood Elementary School's principal is responsible for the administration of the 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 findings:

- *Mismanagement of Funds Received,*
- *Inadequate Disbursement Documentation,*
- *Delinquent Financial Reporting,*
- *Year-End Monetary Transmittal Form Envelope Submission,*
- *Administration of Voided Checks,*
- *Fundraiser Forms, and*
- *Improvement Needed in Management Oversight.*

These findings individually or in aggregate, resulted in a material deviation from Board of Education (BOE) policies and Procedures.

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 October 31, 2017.



Michele Winston, CPA
Director, Internal Audit

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

SUMMARY

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Allenwood Elementary School for the period July 1, 2014 through November 30, 2017. 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) and Board of Education (BOE) policies and procedures.

Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in the accompanying transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school complied with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit report focuses on deficiencies, it is 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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2014 to November 30, 2017. Also, available receipts, disbursements and supporting documentation were reviewed for the said period.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2018.01 Mismanagement of Fund Received

There were at least **19** instances of non-compliance regarding the administration of funds received. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **9** instances where funds collected for various school activities were held for a longer period than required (**5** or more days) prior to deposit.
- B. ***Unavailable Monetary Transmittal Form Documentation and Inadequate Deposit Documentation:*** There were at least **9** instances where documentation was not made available. MTF documentation to substantiate the source of funds was not provided for the following school activities: 6th grade fundraisers, field trips and book fair. Duplicate detailed deposit tickets indicating the amount of cash, checks and/or coins were not prepared and presented to the bank for validation. Generic deposit tickets were validated instead.

The following criteria are established in the APM:

- A. The APM section 4.5.2.2 (1), (2) *Collecting Funds* require **all** funds collected to be remitted on the day of collection. Timely deposits with the financial institution are also required. Deposits are recommended at least every other day when funds under \$250.00 are collected. Funds collected in excess of \$250.00 are required to be deposited on the day of collection.
- B. The APM requires MTFs to be entirely completed indicating the source of funds, amount and form of collection and purpose of collecting the funds. If additional space is needed, then a Student Remittance Report, class list, receipts or ticket/report stubs can be attached.

Section 4.5.2.2 (3) *Preparing Bank Deposits* requires a duplicate bank deposit slip to be completed, validated by the bank, returned and attached to the MTF deposit documentation. Both the original and duplicate deposit slip should be taken to the bank to allow the duplicate to be validated. The validated copy is filed at the school with the MTF supporting the deposit.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

The following are contributory factors for the non-compliance with requirements for funds received:

- A. School staff and the principal did not deposit funds timely to the financial institution.
- B. The requirement to appropriately substantiate collection was not clear to staff. The specific type of documentation required for verification of SAF was not known to preparers of MTF documentation. It was also unknown that generic deposit slips are unacceptable to substantiate deposits with financial institutions. The requirements for completing detailed duplicate deposit tickets were not followed.

Internal controls are compromised when funds are retained in the school longer than required. The audit trail for reviewing funds collected was compromised due to lack of adequate documentation. Also, it could not be determined that funds received were deposited in the same form and denomination as received. As a result, internal controls for ensuring all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased. *This finding was noted during the previous audit period ended June 2013.*

Recommendation: The following recommendations are suggested to the school to comply with policies and procedures for administration of funds received:

- A. All funds received must be remitted promptly to the financial institution.
- B. The staff should be reminded that when submitting MTFs, documentation must be attached verifying source of funds. MTFs should not be accepted without sufficient supporting documentation. Also, detailed validated deposit ticket should be retained to substantiate collection.
- C. Periodic review of cash receipt files must be performed to ensure compliance with BOE policies and procedures (funds are remitted and deposited timely and properly supported by detailed documentation).

2018.02 Inadequate Disbursement Documentation

There were at least 4 instances where funds disbursed were not adequately substantiated. School Funds Expenditure Forms (SFEF) were not completed for checks issued or appropriate documentation was not available to support the amount of checks. Handwritten documentation and a price quotation were used to substantiate expenditures.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

Section 4.5.3.1 (1) *Cash Disbursement Pre-approval by the Principal* and (2) *Inclusion of Supporting Documentation* requires completion of a SFEF that is signed by the principal prior to ordering or purchasing goods or services.

All checks are required to have itemized documentation attached to the SFEF that supports the amount of the check. Examples of documents that are to be used include itemized invoices or receipts. Documents such as credit card receipts, statements, order confirmations, price quotes and packing slips are not allowed.

School staff with responsibility for disbursing SAF was not aware that completed SFEFs were required for issuance of checks to companies and while processing refunds. Prior staff accepted handwritten documentation including an order form from a teacher as sufficient documentation for a disbursement. Also, it was not known that a price quotation was considered insufficient documentation for issuing payments.

Internal controls are compromised and financial records are inadequate to support accounting transactions when approvals of purchases are not documented on SFEFs. The absence of relevant documentation negates audit evidence that supports an adequate control environment. *This finding was noted during the previous audit period ended June 2013.*

Recommendation: The principal should establish procedures to ensure that all disbursements are made in accordance with requirements of the APM. A SFEF should be completed and approved by the principal to substantiate expenditures of the school. Staff should be reminded that adequate documentation is required for processing disbursements.

2018.03 Financial Reporting

Monthly financial reports for June 2017 trimester and FY 2018 were not completed as required. Accounting and Financial Reporting staff completed the June 2017 reconciliation on August 25, 2017. Financial reports for July 2017 through October 2017 were not completed until December 7, 2017 and December 11, 2017 with the assistance of Internal Audit during the audit process.

The APM section 5.2.1 *Financial Reporting Requirements Procedures* require the following reports be prepared, reviewed and signed monthly by the principal:

- Bank Reconciliation Reports
- Available Funds Report/Insolvency Report
- Year to Date Report
- Journey Entry Register

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

The school personnel responsible for performing reporting responsibilities tenure began May 1, 2017. Reportedly, training relative to the financial report process was not provided due to scheduling conflicts.

The untimely preparation of financial reports impacts the principal's awareness of the school's financial status and the ability to make informed financial decisions.

Recommendation: Additional training must be immediately scheduled by the Accounting and Financial Reporting Office to ensure that financial reports are prepared as required. The principal should implement internal controls to ensure that financial reports are timely prepared and presented for review and approval by the 15th of each month.

2018.04 Year-End Monetary Transmittal Form Envelope Submission

The year-end MTF submission process is not operating as outlined in the APM. During the audit period there were at least 9 staff members who failed to submit 28 MTF remittances during the year-end checkout process.

Also, year-end MTF envelopes were stored in the office vault accessible to a previous staff member who should not have access to these documents.

The APM section 4.5.2.2 (1) *Collecting Funds: Completing the Monetary Transmittal Form* stated that staff is responsible for maintaining an envelope containing all the MTF (pink and yellow) remittance copies prepared during the year. Staff are required to submit copies in signed, sealed envelopes to the designated administrator during the year-end check out process. Under no circumstances should the signed, sealed MTF envelopes be given to the bookkeeper. The envelopes should remain sealed until requested by Internal Audit. The year-end MTF envelopes should be retained in a place that is inaccessible to the bookkeeper.

BOE policies and procedures relative to the MTF envelope submission process were not consistently followed during the year-end check out process. The principal did not obtain "Receiptee History" report indicating the staff members who were to submit end of year MTFs. The current secretary had recently began her tenure and was unaware of the process.

The audit trail for reviewing cash receipts was compromised by the unviability of some MTF remittances. As a result, internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

Recommendation: Staff must be reminded of their responsibility for MTF envelope submission and be held accountable for compliance with the relative requirements.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

Responsible school personnel should be required to print the "Receiptee History" report and provide it to the administrator responsible for collecting MTF envelopes at year-end. The principal or designee should ensure that all end of year MTFs are collected, kept in sealed envelopes and retained in a secure location until reviewed by Internal Audit.

2018.05 Administration of Voided Checks

There were **28** instances of non-compliance relative to the administration of voided checks. The following non-compliances were noted:

- A. ***Voided Checks Not Properly Mutilated:*** There were at least **7** instances where checks were not properly voided by removal of the signature line.
- B. ***Voided Checks Not Entered in School's Accounting System:*** There were at least **3** instances where voided checks were not properly entered as void in the accounting system required by the APM.
- C. ***Inadequately Completed School Funds Expenditure Forms (SFEF) or Void Check Proof Sheets (VCPS):*** There were at least **18** instances where the SFEF or VCPS were either not completed and/or not signed by the principal.

The APM, section 4.5.3.2, *Policies and Procedures, Voiding Checks, requires* voided checks to be voided in the computer. A SFEF or a VCPS from SFO should also be completed, noting that the check was voided. The principal is required to sign the SFEF or the VCPS to acknowledge that the check was voided. The physical check is then filed in check number sequence with images of cancelled checks.

School personnel with responsibility for voiding checks were not aware that all checks must be properly voided in the school's accounting system. There was also a lack of awareness that checks inadvertently reprinted and subsequently voided should be entered in the accounting system. Also, there was no knowledge that a completed, signed SFEF or VCPS is required for each voided check.

Inappropriate administration of checks exposes the school to check fraud, waste and abuse of its resources.

Recommendation: The following is recommended for the school to comply with policies and procedures for appropriate management of voided checks:

- A. Procedures to ensure that there is proper administration of voided checks should be established and documented to include proper mutilation of checks by removal of the signature line.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

- B. Voided checks should be substantiated by completed SFEFs or VCPSs signed by the principal and entered into SFO.
- C. Periodic review of voided checks must be performed to ensure compliance with BOE policies and procedures. All check signers must take the time to get familiar with the policy and procedures set forth in the APM regarding voiding checks.

2018.06 Fundraiser Forms

Several fundraising activities were held during the audit period. However, Fundraiser Request and Authorization Forms, Completion Reports and annual reports summarizing fundraising activities were not always completed. (i.e. 6th grade fundraisers, fall festival, book pouch, book fair and t-shirts, etc.).

Administrative Procedure 5135.1, *Fundraising* requires school staff to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and annual reports summarizing the results of all fundraising activities sponsored. These documents must be maintained on file for public and auditor review upon request.

The staff member responsible for overseeing the fundraiser process is new to the position and was not familiar with the requirements for specific aspects of fundraisers. Fundraiser sponsors did not adhere to the requirements for completing Fundraiser Request and Authorization Forms and preparing Completion Reports at the end of fundraising events. The principal did not ensure required reports summarizing fundraising events for the school year were prepared.

It could not be readily determined whether the school's fundraisers yielded profit for the school. Also, pertinent financial information for the school's administrators to make fiscal decisions was not available. *This finding was noted during the previous audit period ended June 2013.*

Recommendation: The principal must establish procedures to ensure completion of Fundraiser Request and Authorization Forms, Completion Reports and annual reports summarizing the results of fundraising activities held during the school year. Required reports must be maintained on file in an orderly manner and be made available for public and auditor review. Staff should be held accountable for compliance.

2018.07 Improvement Needed in Management Oversight

Improvement is required for oversight of the administration of SAF. There were 7 corrective actions successfully implemented of the 12 reportable conditions noted during the previous audit.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

The principal is responsible for ensuring that SAF is administered in accordance with PGPCS policies and procedures and spent to provide the maximum benefit possible to students. "It is also important that the principal, who is ultimately responsible for these funds, is aware that success of the internal control system rests largely with them."

The principal did not implement sufficient procedures to ensure that **all** previous findings were resolved.

Students did not receive the maximum possible benefit of the resources that should have been available to them. *This finding was noted during the previous audit period ended June 2013.*

Recommendation: The principal should continue to review the APM and implement internal controls to ensure proper administration of SAF. The principal needs to continue her involvement with the daily operations to ensure fiscal accountability. Continued improvement of the internal control environment should be emphasized by focusing on these 5 basic principles of internal control:

- ❖ **Clearly defined lines of authority and responsibility,**
- ❖ **Segregation of duties,**
- ❖ **Maintenance of adequate documents and records,**
- ❖ **Limited access to assets, and**
- ❖ **Independent checks on performance.**

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Allenwood Elementary School was issued for the period ended June 2013. During that period the current principal was on staff. There were **12** findings noted as a result of that audit. There were **5** repeat findings included in the current audit report. The following findings were noted as a result of that audit and the current status is indicated below:

- **Mismanagement of Funds Received.** Condition partially exists. **See Finding 2018.01** regarding *Mismanagement of Receipts - Missing Monetary Transmittal Forms and Insufficient Deposit Documentation.*
- **Transactions Misclassified** – Controls appear to be working.
- **Inadequate Supporting Documentation for Disbursements** – Condition still exists. **See Finding 2018.02** regarding *Inadequate Disbursement Documentation.*
- **Delinquent Payment of Invoices** – Controls appear to be working.

**Allenwood Elementary School
Student Activity Funds
Internal Audit Report
For Period Ended November 30, 2017**

- **Delinquent Deposits** – Condition still exists. See **Finding 2018.01** regarding *Mismanagement of Receipts - Delinquent Deposits*.
- **Check Writing** – Controls appear to be working.
- **Contracts** – Controls appear to be working.
- **Items Purchased with Student Activity Funds not in Inventory** – Controls appear to be working.
- **Warehouse Membership Cards** – Controls appear to be working.
- **Vending Machines Contract** – Controls appear to be working.
- **Fundraiser Forms** – Condition still exists. See **Finding 2018.06** regarding *Fundraiser Forms*.
- **Improvement Needed in Management Oversight** – Condition still exists. See **Finding 2018.07** regarding *Improvement Needed in Management Oversight*.

ACKNOWLEDGEMENT

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