



October 19, 2017

**MEMORANDUM**

To:     Kassandra Lassiter, Ed. D, Instructional Director  
          Cluster 4

          Dana Doggett, Ed. D., Acting Principal  
          Concord Elementary School

From:   Michele Winston, CPA, Director  
          Internal Audit

Re:     Student Activity Funds Financial Audit as of August 31, 2017

An audit of the financial records **Concord Elementary School** was completed on for the period July1, 2011 through August 31, 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 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](mailto: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](mailto: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  
      Monique Whittington Davis, Ed. D., Deputy Superintendent  
      Denise Greene, Ed. D., Associate Superintendent, Area I  
      Erica Berry Wilson, Esq., Board Executive Director  
      Raymond Brown, Chief Financial Officer  
      Alicia Robinson, Internal Auditor II

# Internal Audit Report

## Concord Elementary School Student Activity Funds

For the Period Ended August 31, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Concord Elementary School for the period July 1, 2011 to August 31, 2017. Concord 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,*
- *Mismanagement of Disbursements,*
- *Depository Safe Not on School Premises,*
- *Administration of Voided Checks, and*
- *Fundraiser Forms – Reports Not Completed.*

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 August 31, 2017



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Concord Elementary School for the period July 1, 2011 through August 31, 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.

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**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, voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2011 through August 31, 2017. Also, available receipts, disbursements and supporting documentation were reviewed for the said period.

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2018.01 Mismanagement of Funds Received**

There were at least **36** 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 **10** instances where funds collected for various school activities were held for a longer period than required (**4** or more days) by the bookkeeper, prior to deposits with the financial institution. ***(This finding was noted during the previous audit period ended June 2011.)***
- B. ***Inappropriate Deposit Slips:*** There were at least **26** instances where generic deposit tickets were validated. Duplicate detailed deposit tickets indicating the amount of cash, checks and/or coins were not prepared and presented to the bank for validation.

The following guidelines are established in the APM relative to receiving funds in SAF:

- A. Section 4.5.2.2 (1), (2) *Collecting Funds* require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution. 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. 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.

Non-compliance regarding management of receipts resulted from the following:

- A. The bookkeeper was not always able to leave school at a reasonable time to make the deposit prior to the bank closing. Also, since there were times when small amount of funds were remitted, the bookkeeper thought it was prudent to hold funds until additional funds were remitted for deposit.
- B. The bookkeeper did not adhere to the APM requirement for completing detailed duplicate deposit tickets because reorder of these deposit slips had not been

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placed timely. Also, the bookkeeper was not aware of the requirement that both copies of the detailed deposit ticket should be taken to the bank and a validated copy be retained with the appropriate MTF.

Mismanagement of funds received constitutes noncompliance with BOE policies and procedures and increases financial risk to the school and to staff members. Specifically,

- A. Internal controls are compromised when funds are retained in the school for several days. The audit trail for reviewing cash receipts is compromised when funds are not deposited timely. Internal controls for ensuring all SAF collected are subsequently deposited is weakened and the potential for loss of assets increased.
- B. It could not be determined that funds received were deposited in the same form and denomination as received.

**Recommendation:** The following recommendations resulted from mismanagement of funds received:

- A. The bookkeeper should ensure that all funds received are remitted promptly to the financial institution. The bookkeeper should be held accountable for making timely deposits with the bank.
- B. The bookkeeper must retain the detailed validated deposit ticket as support of the MTF documentation.
- C. The principal should complete a periodic review of cash receipt files to ensure compliance with Board policies and procedures (funds are remitted and deposited timely and detailed validated deposit tickets are attached to MTF).

**2018.02 Mismanagement of Disbursements**

There were at least **22** instances of non-compliance regarding administration of disbursements. The following indicates the instances of non-compliance:

- A. ***Delinquent Requests for Reimbursement:*** There were at least **4** instances where requests for reimbursements were not made timely. The delinquency ranged from **33** to **258** days.
- B. ***School Funds Expenditure Forms (SFEF) not Completed:*** There were at least **10** instances where the SFEFs were not completed for checks issued.
- C. ***Inappropriate Use of "Reimbursement" Option:*** There were at least

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3 instances where the bookkeeper used the “*Reimbursement*” option to issue refunds to parents for a cancelled field trip. The refund checks were made payable to “*Reimbursement*” instead of “*Refund*”.

- D. ***Misclassified Transactions:*** There were at least 4 instances of incorrectly posted transactions identified during the audit. Purchase of food for staff appreciation was inappropriately charged to the “*Administrative Allotment*” fund account. ***(This finding was noted during the previous audit period ended June 2011.)***
  
- E. ***Non-Approved Vendors and Failure to use In-House Inventory List:*** There was at least 1 instance where the Before and After School Care coordinator purchased a Smart TV from a local pawnbroker that is not an approved PGCPS vendor for \$75.00. The school reimbursed the Before and After School Care coordinator for the purchase. The item purchased was not included on the school’s in-house inventory listing. ***(This finding was noted during the previous audit period ended June 2011.)***

The following guidelines are established in the APM relative to disbursing SAF:

- A. Section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires that invoices and/or reimbursements should be paid within 30 days of receipt and have appropriate documentation.
  
- B. Section 4.5.3.1 (1) *Cash Disbursement Pre-approval by the Principal* and (2) *Inclusion of Supporting Documentation* requires that prior to ordering or purchasing goods or services; a SFEF must be completed and signed by the principal.
  
- C. In January 2015, the BOE implemented SFO as the accounting system to track SAF. The “*Reimbursement*” option was created to post reimbursable expenses to the staff and the “*Refund*” option was created to post refundable expenses to parents upon implementation of SFO.
  
- D. Section 3.2.2 *Ownership, Authority and Responsibility Bookkeepers/Financial Secretaries*, requires the bookkeeper or financial secretary to accurately record and report the school’s financial transactions.
  
- E. Section 4.5.2.2 (3) *Cash Disbursement Use of Board Approved Vendors* requires all checks to be written to an approved/active vendor through SFO. The “*Reimbursement*” or “*Refund*” vendor may not be used to override the requirement for use of unapproved vendors in SFO. Section 9.5, *Accounting for Property Inventory*, requires items purchased for less than \$1,500.00 to be



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maintained on the school or department's in-house database. All equipment should be labeled with the school or office name and the item's serial number.

Non-compliance regarding the management of disbursements resulted from the bookkeeper being new to the position.

- A. Staff members held receipts for extensive periods prior to submission to the bookkeeper for reimbursement. Neither the bookkeeper nor staff members were aware that there was a time limit on submitting receipts for reimbursement.
- B. The bookkeeper was not aware that a SFEF had to be completed if a request for payment came from a staff member or parent.
- C. The bookkeeper was not aware of the difference between the "reimbursement vendor" account and the "refund" account. Also, the bookkeeper was unaware that the incorrect payee name was used when issuing checks.
- D. The bookkeeper did not know that all staff related food items should be posted to the Principal Sponsored Activity (PSA) fund account.
- E. The bookkeeper was not aware that all vendors had to be on the approved vendors list if staff members requested reimbursement.
- F. The bookkeeper and/or the Before and After School Care coordinator were not aware of the required in-house inventory list for items less than \$1,500.00 purchased by the school.

Mismanagement of funds disbursed constitutes noncompliance with BOE policies and procedures and increases financial risk to the school and to staff members. Specifically,

- A. Internal controls are compromised and financial records are distorted when reimbursement are not issued timely.
- B. Approval by the principal prior to check disbursements could not be determined since the SFEF was not completed for each check issued.
- C. Using the Reimbursement/Refund option in SFO impacts the accuracy of the school's financial records and reporting.
- D. Misclassified transactions impact the accuracy of the financial records, reporting and the principal's ability to make informed decisions.

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- E. Using non-approved vendors can result in the conduct of business with vendors that do not have insurance and have not been vetted properly to ensure safe product purchases.
- F. Failure to ensure that items purchased by the school are included on the school's inventory helps to deter theft and provides accurate data regarding the school's inventory.

**Recommendation:** The following is recommended for Concord Elementary School to comply with policies and procedures for appropriate management of disbursements:

The principal should establish procedures to ensure that all disbursements are made in accordance with the APM. Staff members should be reminded that reimbursement requests are required to be submitted within the required 30 days of making purchases. The principal should also ensure that the bookkeeper reads the APM and is knowledgeable of the requirements for administering disbursements. Specifically the bookkeeper must:

- a) Ensure that all disbursements are documented with an approved SFEF.
- b) Discontinue use of the "Reimbursement" and/or "Refund" options unless the payment is a reimbursement to a teacher or a refund to a parent. The "Reimbursement" option should only be used to process payment for staff reimbursements.
- c) Take the appropriate care to ensure that transactions are accurately posted.
- d) Ensure that all vendors used are properly approved through Oracle. Staff should not be reimbursed for purchases from non-approved vendors. Purchasing and Supply Services should be contacted to ensure that vetting of unapproved vendors occurs. Staff should be made aware of this requirement.
- e) Review the APM to ensure compliance with the property inventory policy.

**2018.03 Depository Safe Not on School Premises**

The school did not have a depository (drop) safe to securely store funds received from staff. A lock box was used to secure funds in a location where several staff members have access.

The APM section 4.5.2.2 (3) *Cash Receipts Guidelines for Bank Deposits* requires schools to secure funds in a locked fireproof safe, which is only accessible to the

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principal and bookkeeper. Drop safes are required for every school. The safe should be bolted to the floor and placed in a location accessible to the staff.

The bookkeeper was not aware that the school is required have a drop safe to securely store funds and allow staff members the opportunity to remit funds when the bookkeeper is not available.

Security of SAF is impacted by not having a drop safe as required by the APM. Also, staff members are denied access to a securely remit funds when the bookkeeper is not available.

**Recommendation:** The principal should ensure that a drop safe is purchased and installed in a location that is accessible to staff.

**2018.04 Administration of Voided Checks**

There were **18** instances of non-compliance relative to the administration of voided checks. The following non-compliances were noted:

- A. ***Voided Checks Not Properly Mutilated and/or Retained on File:*** There were at least **3** instances where checks were not properly voided by removal of the signature line. Also, there was **1** instance where the bookkeeper disposed of the voided check by tearing it up.
- B. ***Voided Checks Not Entered in School's Accounting System:*** There was at least **1** instance where a voided check was not entered in the accounting system by the bookkeeper as required by the APM.
- C. ***School Funds Expenditure Forms (SFEF) or Void Check Proof Sheets (VCPS) not completed and/or Signed by the Principal:*** There were at least **13** instances where the SFEF or VCPS were not completed by the bookkeeper or not signed by the principal.

The following guidelines are established in the APM relative to voided checks:

- A. The APM, section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires accounting for a physical check when an error is made at the time it is prepared or a check is damaged. The word 'Void' is required to be written across the face of the check. The signature portion of the check must be cut off and destroyed. Voided checks are required to be retained on file.
- B. The check must be voided in the computer.

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- C. A SFEF or a VCPS 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.

The non-compliance regarding management of disbursements resulted from the bookkeeper being new to the position. Specifically:

- A. The bookkeeper was not aware that non-removal of signature lines from voided checks is required for compliance with the APM. She felt that writing "Void" across the check and cutting off or blackening out the account number on the check was sufficient.

Also, the bookkeeper was not aware that voided checks should be retained on file.

- B. The former bookkeeper is responsible for voided checks not being entered into the accounting system.
- C. The bookkeeper was not aware that a completed, signed SFEF and/or VCPS was required for each voided check.

Inappropriate administration of checks constitutes noncompliance with BOE policies and procedures and increases the risk of check fraud, waste and abuse of the school's resources.

**Recommendation:** The following is recommended for Concord Elementary School to comply with policies and procedures for appropriate management of voided checks:

- A. The principal and bookkeeper should review the APM and establish and procedures to ensure proper administration of voided checks as required by the APM.
- B. Voided checks should be properly defaced and substantiated by completed SFEFs or VCPSs signed by the principal and entered into SFO.
- C. The principal should complete periodic review of voided checks to ensure compliance with BOE policies and procedures. All check signers must take time to get familiar with the policy and procedures set forth in the APM regarding voiding checks.

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**2018.05 Fundraiser Forms - Reports Not Completed**

The school did not comply with the requirements for administering fundraisers during the audit period. The school held several fundraising activities; however, Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and annual reports summarizing fundraising activities were not completed.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and the Annual Fund Raising Summary Report for all fundraisers sponsored. These documents must be maintained on file for public and auditor review upon request.

The principal and bookkeeper were not aware of the fundraiser requirements relative to completion of fundraiser forms. It could not be readily determined that the school's fundraisers yielded an overall profit. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available.

**Recommendation:** The principal must establish procedures to ensure completion of all Fundraiser Request and Authorization Forms and Completion Reports and annual reports of fundraising activities for fundraising events held during the school year. The required reports must be maintained on file for public and auditor review.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Concord Elementary School was issued for the period ended June 30, 2011. The current principal and bookkeeper were not on staff during the previous audit. There were 7 findings noted as a result of that audit. They are 3 repeat findings noted in the current audit and are included in this report. The following findings were noted as a result of that audit and the current status is indicated below:

- **Excessive Spending in Restricted Accounts** - Controls appear to be working.
- **Delinquent Deposits and Funds not Remitted Intact** – Condition still exists. See **Finding 2018.01** regarding *Mismanagement of Funds Received*.
- **Incomplete Monetary Transmittal Forms** – Controls appear to be working.
- **Transactions Misclassified** – Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Disbursements*.
- **Payments to Individuals/Unincorporated Businesses/Unapproved Vendors for Services Rendered** – Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Disbursements*.
- **Textbook Replacement Fees (Core)** – Controls appear to be working.

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- **Expenditures Made Without Proper Approval** – Controls appear to be working.

**ACKNOWLEDGEMENT**

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