



January 31, 2019

MEMORANDUM

To: Kristil Fossett, Ed. D, Instructional Director
Cluster 7

Deatrice Womack, Principal
Robert Goddard Montessori

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for July 1, 2014 through September 30, 2018

An audit was conducted of the financial records of **Robert Goddard Montessori** for the period July 1, 2014 through September 30, 2018. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As the principal of the school, you will be responsible for preparing an action plan by **March 1, 2019**, 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.

Enc.

cc:

Alvin Thornton, Ph. D., Board Chair
Monica Goldson, Ed. D., Interim Chief Executive Officer of Schools
Members, Board of Education
Christian Rhodes, Chief of Staff
Michael Herbstman, Chief Financial Officer
David G. Curry, Ed. D., Associate Superintendent, Middle Schools
Helen Coley, Ed. D., Chief, School Support and Leadership
Derrick Martin, Internal Auditor II

Internal Audit Report

Robert Goddard Montessori Student Activity Funds

For the Period Ended September 30, 2018

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

Table of Contents

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY.....	3
OBJECTIVES.....	3
SCOPE.....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS	8
ACKNOWLEDGEMENT	9

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Robert Goddard Montessori for the period July 1, 2014 to September 30, 2018. Robert Goddard Montessori'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 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:

- *Inadequate Documentation of Disbursements*
- *Mismanagement of Funds Received*
- *Fundraiser Forms*
- *Vending Machine Contract*
- *Monthly Reconciliations and Financial Reporting*
- *Transfers Not Properly Approved*

Individually or in the aggregate, these findings resulted in 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended September 30, 2018.



Michele Winston, CPA
Director, Internal Audit

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Robert Goddard Montessori for the period July 1, 2014 to September 30, 2018.

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 was in compliance with the policies and procedures of the Accounting Procedures Manual (APM) and the Board of Education (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 selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2014 to September 30, 2018. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2019.01: Inadequate Documentation of Disbursements

The audit revealed the following pertaining to documentation of disbursements:

- ***Incomplete School Funds Expenditure Forms:*** There were **13** instances where the “Funds Available” line under the “Request and Pre-Approval” section on School Funds Expenditures Forms (SFEFs) was not properly completed.
- ***Inadequately Supported Check:*** There were **2** instances where the SFEFs did not coordinate with the corresponding cancelled check.

The APM, Section 4.5.3 *Cash Disbursements* states that prior to ordering or purchasing goods or services; a SFEF must be fully completed and signed by the principal. The SFEF and supporting documentation must substantiate the amount of the check processed.

According to the recordkeeping staff the funds available line was oftentimes left blank because she did not completely understand the purpose of the line. Signing the line was considered sufficient since it showed the recordkeeping staff’s approval. Incomplete or inaccurate SFEFs constitute noncompliance with disbursement guidelines and reduces assurance that expenditures were made without fraud, waste, and abuse.

Recommendation: The principal and recordkeeping staff should ensure that SFEFs are complete and properly approved prior to initiating purchases. The principal must hold the recordkeeping staff accountable for completing the “funds available” line on the SFEF prior to submission for approval. The recordkeeping staff should also ensure that adequate documentation is maintained to substantiate checks processed.

2019.02 Mismanagement of Funds Received

The audit revealed the following exceptions pertaining to the management of collections:

- ***Inappropriate Approval of Monetary Transmittal Forms*** – There were **6** instances where the recordkeeping staff approved incomplete MTFs. This included **2** instances where supporting documentation was not available to substantiate the collections.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

- ***Delinquent Deposits*** – There were 3 instances where SAF was deposited approximately 7 days after the collection date.

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

- ***Collecting Funds: Completing The Monetary Transmittal Form (1)*** states that the person collecting funds is responsible for filling in all required information, including signing and dating the form. The exact make-up of the funds and the total amount being submitted to the bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report prior to approval.
- ***Guidelines for Bank Deposits (2)*** require the recordkeeping staff to make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.

Reportedly, the teaching staff did not follow MTF completion procedures when remitting collected funds. Despite several staff trainings, MTFs were submitted incomplete. The recordkeeping staff felt that the only option was to sign the incomplete MTFs. The recordkeeping staff could not recall why the funds were deposited late; however, she acknowledged the delinquencies as mistakes. Inappropriate collection and depositing of SAF reduces assurance that collections were accounted for appropriately and puts the school at risk for fraud, waste, and abuse.

Recommendation: The recordkeeping staff must be held accountable for ensuring that MTFs are accurate and complete and all required documentation is present to substantiate collections prior to approval. The principal must ensure that deposits are made in a timely manner. The principal must also hold the recordkeeping staff and other staff members accountable for ensuring that the collection requirements are consistently adhered to.

2019.03: Fundraiser Forms

The school held several fundraisers during the audit period. However, Fundraiser Request and Approval Forms, Fundraiser Completion Reports and annual reports summarizing fundraising activities were not completed.

The BOE policy ***5135.1, Fundraising*** indicates that when clubs and organizations have fundraisers, they must complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Report and the Annual Fund Raising Summary Report. These documents must be maintained on file for public and auditor review upon request.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

The Principal and recordkeeping staff were unaware of the specific requirements regarding completion of fundraiser forms. Board policies and procedures as established in the APM relative to administration of fundraisers were not followed as a result.

Recommendation: At the end of the school year, the recordkeeping staff should generate reports of all fundraising activities to facilitate completion of a summary of all fundraising activities. Fundraising sponsors must be held accountable for submitting the Fundraiser Request and Approval Forms for approval prior to hosting fundraising activities. Fundraiser Completion reports must also be required when fundraising events are completed. An adequate filing system must be implemented to facilitate the retrieval of those forms and reports upon request of Internal Audit or anyone with reviewing authority. The recordkeeping staff should become familiar with the APM regarding fundraising activities.

2019.04 Vending Machine Contract

There are 2 faculty vending machines (1 snack, 1 soda), located in the teachers' lounge. However, there is no contract in place that specifies commissions due and the terms for administering contract for the soda vending machine.

The APM, *Section 9.8, Vending Machine Sales*, states, "all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted. The contract term cannot exceed one year."

The principal and bookkeeper made repeated futile attempts to obtain a vending contract for the soda machine. Failure to have a formal contract in place, that stipulates contract terms constitutes noncompliance with BOE policies and procedures and may result in lost vending revenue.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract for the soda Machine or consult with Purchasing and Supply Service for identification of an alternate vendor.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

2019.05 Monthly Reconciliation & Financial Reporting

The audit revealed the following regarding monthly financial reconciliations:

There were 4 months where bank reconciliations preparation were over 40 days delinquent as illustrated below:

Month	Reconciliation Month	Days Delinquent
Sep-2017	11/27/2017	51
Oct-2017	12/13/2017	43
Nov-2017	1/22/2018	48
Dec-2017	2/18/2018	50

The APM, *Section 5.1.2 Procedures*, states “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 reconciliation should be completed by the bookkeeper within seven (7) days after receiving the statement from the bank. Typically this process should be completed by the 15th of each month. The completed bank reconciliation should be returned to the Principal every month for review and approval.”

The recordkeeping staff and the principal recognize the noncompliance. Reportedly, the recordkeeping staff was not trained and active in her role until the end of the 2017 calendar year. During 2018 the recordkeeping staff was still performing administrative duties while performing recordkeeping duties and was therefore overwhelmed. Timely and reliable financial may not be available for financial decision making when bank reconciliations are delinquent.

Recommendation: The recordkeeping staff should ensure that monthly bank reconciliations are completed as required and signed by the 15th of each month. The bookkeeper should familiarize herself with the monthly reporting policies outlined in the APM. The Principal should provide oversight to ensure the monthly bank reconciliations are completed in a timely manner.

2019.06 Transfers Not Properly Approved

The recordkeeping staff made unapproved journal entries during the audit period. There were 40 instances where transfer journal entries were processed between restricted fund accounts without evidence of the principal’s approval. The principal’s approval was not indicated on the Fund Transfer Journal Entry Proof Sheet.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

The APM Section 4.5.4.2 *Transfers between Restricted and Unrestricted/Net Accounts* states, "Transfers between restricted accounts are only authorized if reviewed and approved by the principal."

The recordkeeping staff was unaware of the requirements for processing transfer journal entries. Failure to comply with the BOE's policies and procedures that governs the transfer process constitutes noncompliance. Funds transferred from unrestricted to restricted accounts without principal approval can lead to misuse of school funds.

Recommendation: The principal and bookkeeper should ensure that restricted transfers are performed only after the principal approves the transaction via approved signed Fund Transfer Journal Entry Proof Sheet. This document must be retained on file as evidence of compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Robert Goddard Montessori was issued for the period ended September 30, 2011. During that period, neither the principal nor the recordkeeping staff were in their current positions. The previous audit report included 14 reportable conditions, of which 3 are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Irreconcilable Differences between Total Funds Remitted vs. Deposited** – Condition was not noted in this audit.
- **Mismanagement of Funds Received** – See Finding 2019.02 regarding *Mismanagement of Funds Received*.
- **Failure to Complete Fundraiser Forms** – See Finding 2019.03 regarding *Fundraiser Forms*.
- **No Sales Tax Collected For All Items Sold** - Condition was not noted in this audit.
- **Improper Management of Disbursements** – See Finding 2019.01 regarding *Inadequate Documentation of Disbursements*.
- **Unauthorized/Improper Usage of Checks** - Condition was not noted in this audit.

Robert Goddard Montessori
Student Activity Funds
Internal Audit Report
For the Period Ended September 30, 2018

- **Payment for Services Rendered using Student Activity Funds** - Condition was not noted in this audit.
- **Unauthorized Receipt of Grant and Donated Funds** - Condition was not noted in this audit.
- **Delinquent Payment of Invoices** - Condition was not noted in this audit.
- **Inappropriate Purchases via Use of Gift Cards** - Condition was not noted in this audit.
- **Misclassified Transactions** - Condition was not noted in this audit.
- **Equipment Purchased not Recorded on Property Inventory Listing** - Condition was not noted in this audit.
- **Inadequate Management Oversight** - Condition was not noted in this audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Robert Goddard Montessori for their cooperation and assistance during the audit.