



October 10, 2019

MEMORANDUM

To: Kelvin Moore, Instructional Director  
Cluster 9

Courtney Forbes, Principal  
Gwynn Park Middle School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for July 1, 2016 through July 31, 2019

An audit was completed on the financial records of Gwynn Park Middle School for the period July 1, 2016 through July 31, 2019. The audit indicates that the school's internal controls require improvements 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 **November 11, 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, email address [internal.audit@pgcps.org](mailto:internal.audit@pgcps.org). A copy of your action plan should also be forwarded to Jerry Chandler, Business Analyst, email address: [jerry.chandler@pgcps.org](mailto:jerry.chandler@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq, Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org). Please send the WORD and PDF version of your action plan and other correspondence.

Enclosure

cc: Alvin Thornton, Ph. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
David Curry, Ed. D., Associate Superintendent  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Joeday Newsom, Esq., Ethics Compliance Officer  
Suzann King, Esq., Executive Director, Board of Education  
Dan Reagan, Internal Auditor II

**Internal Audit Report**

**Gwynn Park Middle School  
Student Activity Funds**

**For the Period Ended July 31, 2019**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Gwynn Park Middle School for the period July 1, 2016 through July 31, 2019. Gwynn Park Middle School's principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

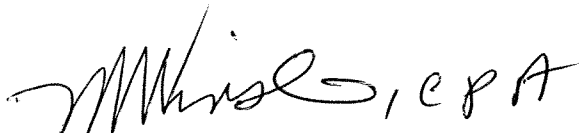
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures, as 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 Disbursements;*
- *Delinquent Deposits not Deposited in Tact;*
- *Fundraiser Collections;*
- *Yearbook Sales Shortage;*
- *Year-End Monetary Transmittal Form Procedures Not Followed;*
- *Fundraiser Forms Not Completed and*
- *Club Budgets Not Developed*

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 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, 2019.



Michele Winston, CPA, Director  
Internal Audit

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**SUMMARY**

The Internal Audit Department completed an audit of the student activity funds (SAF) for Gwynn Park Middle School for the period July 1, 2016 through July 31, 2019. The audit was conducted as part of the department's annual audit plan.

The audit indicates that the school's internal controls require improvements to be in accordance with the Accounting Procedures Manual for School Activity Funds (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.

**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 July 31, 2019. In addition, selected 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:

**2020.01 Mismanagement of Disbursements**

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Lack of Proper Pre-Approval:*** The former principal did not date her signatures for a determination to be made regarding whether expenditures were properly pre-approved during the audit period. There were **3** instances where expenditure dates preceded the expenditure request date on the School Funds Expenditure Form (SFEF). Further, the financial recordkeeping staff did not indicate the funds available on the SFEFs prior to submission for pre-approval, and had not implemented use of the new SFEF which provides a space to verify that the vendor is approved.
- B. ***Lack of Support for Refunds:*** There were **6** instances where refunds to students were not supported by original MTFs to confirm amounts to be refunded.
- C. ***Accounting Errors:*** There were **7** instances where checks were posted to incorrect fund accounts in SFO.

The APM includes the following provisions:

Section 4.5.3, *Cash Disbursements:*

- A. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The form includes space for front office staff to indicate the amount of funds available in the relevant account prior to the principal providing pre-approval.
- B. All checks must have itemized documentation attached to the SFEF that supports the amount of the check.

Section 3.2.2, *Bookkeepers/Financial Secretaries:*

- C. The bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions. In addition, they must make the principal aware when either a lack of time or distractions are adversely affecting the ability to successfully complete their bookkeeping duties.

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The former principal and financial recordkeeping staff established controls for pre-approvals of expenditures, but they did not align with the requirements in the APM. In most instances, staff members would request approval for expenditures from the principal via e-mail. The former principal provided e-mail approval, then the financial recordkeeping staff completed the entire SFEF when the check was written. This process did not ensure that the principal had all available information when making pre-approval, to include assurance that funds were available and that the vendor was approved. The financial recordkeeping staff was unaware of the specific requirements regarding indicating funds available, and was not aware that an updated SFEF that included a field for confirmation of approved vendor had been provided by the Accounting and Financial Reporting Office.

The financial recordkeeping staff was aware of the ability to transfer funds between sub-accounts prior to disbursement, but had not always done so for athletic expenditures. For example, expenditure for the athletic banquet was posted directly to the basketball gate receipts accounts, where the balance of the available funds existed instead of the awards banquet fund account.

The financial recordkeeping staff was unaware that MTF copies were the *required* method of supporting student refunds.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically, the lack of pre-approval process can lead to insolvent accounts, since available funds are not considered when checks are written.

The improper accounting for disbursements compromises the ability to properly manage specific accounts, and the lack of support for refunds can lead to incorrect refund amounts.

**Recommendation:** The following should be performed to correct deficiencies noted in management of disbursements:

- A. The current principal and financial recordkeeping staff should adjust the existing controls for expenditures to ensure that the SFEF is properly completed and the principal's pre-approval is dated. SFEFs with pre-approval should be maintained and used to follow up on expected invoices. Staff members should be trained on the new procedures.
- B. The financial recordkeeping staff should ensure that appropriate transfers are made to facilitate disbursements posted to the most appropriate account.
- C. MTF copies should be used to substantiate student refund amounts. These copies should be attached to SFEFs with related disbursements.

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**2020.02 Delinquent Deposits**

There were **22** instances where deposits were not made timely following initial collection of funds. Deposits were made up to 183 days after initial collection by staff members.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that staff members collecting money are required to complete the MTF and submit it to the bookkeeper with the money collected on the day of collection.

MTFs indicate that in most cases, funds were deposited within a date of being turned into the front office. However, hand receipts indicate that funds were collected by staff members over a period of several days before the MTF and funds were turned in.

The lack of effective internal controls over cash collections constitute non-compliance with BOE policies and procedures and have increased the financial risk to the school. Specifically, the practice of staff members holding funds increases the chance of funds being lost or stolen, and the ticket discrepancies represent funds not properly remitted to the school.

**Recommendation:** The current principal should work with the financial recordkeeping staff to enforce the requirement that staff members remit funds on the day of collection. Staff should be held accountable for compliance.

**2020.03 Fundraiser Collections not Deposited in Tact**

Teacher A collected \$1,665.00 on April 9 and April 10, 2019 for a Krispy Kreme fundraiser. Funds were kept overnight in her classroom. Further, \$825.00 of the funds collected were used to pay the Krispy Kreme vendor on April 11, 2019. The remaining \$840.00 was remitted to the financial recordkeeping staff on a MTF later on April 11, 2019 via the drop-safe. The funds were deposited on April 12, 2019.

The APM, Section 4.2, *Bank Accounts* states that all receipts should be deposited into, disbursed out of, and accounted for in one primary bank checking account owned by the school. Any funds collected from students on school premises, as well as funds collected at school-sponsored activities, on or off school premises, must be accounted for through the school's primary checking account.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that staff members collecting funds are required to complete a MTF and submit it to the bookkeeper with the funds collected on the day of collection.

The APM, Section 4.5.3, *Cash Disbursements*, states that prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal.



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Teacher A explained that she is aware that all funds must be turned into the financial recordkeeping staff on the day of collection. However, she stated that funds were turned in at the end of the day and she felt that the funds were properly safeguarded in her locked cabinet. Although training has been conducted, the former principal did not properly enforce the requirement of timely remittance of funds (*See Finding 2020.02*).

Further, the school has not established an effective pre-approval process. Teacher A stated that she had verbally requested a check be written to Krispy Kreme by April 11, 2019. However, staff members were not required to complete SFEFs in order to get pre-approval from the Principal and to get checks written (*See Finding 2020.01*). When the check was not available on the morning of April 11, 2019, Teacher A decided to use the cash on hand from collections to pay the vendor, since she did not want to use \$825.00 of her personal funds and then request a reimbursement.

The mismanagement of this fundraiser greatly increased the probability of lost or stolen funds. Instead of timely remission to the front office, Teacher A held funds in her classroom and then brought them to Krispy Kreme to pay for the items. Further, the accounting records of the fundraiser were misstated since collection and payment in the amount of \$825.00 were not routed through the school's checking account as required. As such the proceeds and disbursement relative to this fundraiser was understated by this amount.

**Recommendation:** The following should be performed to correct deficiencies noted:

- A. The principal should ensure that staff members are trained on the requirement that funds must be remitted to the financial recordkeeping staff on the day of collection and in the form collected. This effort should be coordinated with the financial recordkeeping staff to monitor and enforce controls.
- B. The current principal and financial recordkeeping staff should also establish controls over the pre-approval of expenditures to ensure that SFEFs are completed and all payments for school activities are properly made out of the school's checking account for all fundraising activities.

**2020.04 Yearbook Sales Shortage**

A total of 50 yearbooks were ordered from Herff Jones for \$1,150.50 for the 2018-2019 school year and sold to students for \$25.00 each. Records indicate that collections were only made from 34 students, totaling \$850.00. Teacher B served as the yearbook sponsor and stated that all yearbooks were distributed. As a result, **16** yearbooks valued at **\$400.00** was not accounted for.

The APM, Section 7.3, *Class and Club Accounts*, states that it is important that there is proper budgeting, accounting and control of class account resources.

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Teacher B had two prolonged absences during the 2018-2019 school year and was assisted by other staff members during those periods. A specific explanation for how the remaining 16 yearbooks were distributed without matching collections could not be provided. Reportedly, Teacher B has been the yearbook sponsor for several years and has never had a discrepancy. She stated that yearbooks may have been mistakenly provided to students who placed orders but did not pay.

The \$400.00 shortage represents funds no longer available for student use as intended. The school's yearbook account has been insolvent for at least 7 years and the financial recordkeeping staff and Teacher B have been working together to bring the account to solvency. The insolvency as of 7/31/19 was (\$3,756.46). This shortage will further delay that effort.

**Recommendation:** The principal must establish controls to ensure adequate records are kept of yearbook sales including an inventory of books on hand. These controls could include requirement that the Yearbook Sponsor prepare and submit a periodic reconciliation (yearbooks on hand vs. sales proceeds) to ensure proper management. The principal should continue efforts to resolve the current Yearbook deficit.

**2020.05 Year-End Monetary Transmittal Form Procedures Not Followed**

The following exceptions pertaining to the end-of-year MTF procedures were identified:

- A. ***Missing MTF Remittances:*** There were **48** instances where the pink copies of MTF remittances could not be located in the teachers' end of year envelopes.
- B. ***Financial Recordkeeping Staff Access to Pink MTF Remittances:*** There were **49** instances where the financial recordkeeping staff's signature was noted on the pink MTF remittance copies, which compromises the staff members' initial record of collection.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator.

A process to ensure that staff members maintain the pink MTF copies prior to submission to the financial recordkeeping staff has not been established. Further, staff members have not been diligent to maintain both the yellow and pink copies for end of year submission.

The ineffective end-of -year MTF process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

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**Recommendation:** The current principal and financial recordkeeping staff should work together with staff members to ensure that APM procedures regarding MTF envelope submission are followed. Specifically, staff members should be reminded that only the yellow and white remittances are required to be submitted to the financial recordkeeping staff with collections, and both yellow and pink copies should be retained and included in the end-of-year envelopes.

**2020.06 Fundraiser Forms Not Completed**

Fundraiser Completion Reports were not completed for the 2018-2019 school year. Further, annual fundraising summaries were not completed at the end of each school year in the audit period.

The APM, Section 7.2.2, *Fundraising Procedures*, states that club fundraisers must be formally approved by the principal using a Fundraiser Request and Authorization Form. The Fundraiser Completion Report must be prepared by the sponsor at the conclusion of each fundraiser,. Additionally, the principal should prepare (or designate preparation of) an annual report summarizing all fundraising activities concluded during the school year. The data in this annual report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

The former principal and financial recordkeeping staff established effective controls to ensure that fundraisers were appropriately approved via Fundraiser Request and Authorization Forms. However, the financial recordkeeping staff forgot to complete corresponding Fundraiser Completion Reports during the 2018-2019 school year. Further, neither was aware of the requirement for an annual fundraising summary.

Failure to complete fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members. Further, Fundraiser Completion Reports bolster the budgeting process which can ensure optimal performance of each fundraiser.

**Recommendation:** The current principal and financial recordkeeping staff should establish a process to ensure that all fundraising forms are completed as required. The principal should review all Fundraiser Completion Reports to complete an annual fundraising summary and to ensure that all forms have been completed as required.

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**2020.07 Club Budgets Not Developed**

The school's clubs have not developed and submitted annual budgets to the financial recordkeeping staff.

The APM, Section 7.3, *Class and Club Accounts*, states that a copy of annual budgets for all school clubs should be provided to the school's bookkeeper.

The principal and financial recordkeeping staff were unaware of the requirement for club budgets. The financial recordkeeping staff stated that they meet with club sponsors at the beginning of each year to communicate regarding beginning account balances, but budgets were not formalized.

The lack of club and class budgeting constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases the coordination between club sponsors and the school administration when it comes to planning and executing necessary payments. A budgeting process will decrease the risk of insolvent accounts such as the school's Yearbook account.

**Recommendation:** The principal and financial recordkeeping staff should develop a budget template for club sponsors and require use during the 2019-2020 school year.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for **Gwynn Park Middle School** was issued for the period ended **September 30, 2015**. The current principal's tenure began in July 2019; however, the financial recordkeeping staff has been at the school since the last audit. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Missing Funds/Unaccounted for MTFs** – Controls appear to be working.
- **Mismanagement of Funds Received** – Condition still partially exists. **See Finding 2020.02** regarding *Delinquent Deposits*.
- **Dress-down Day as a Fundraiser** – Controls appear to be working.
- **Principal Sponsored Activities Transactions Incorrectly Posted** – Controls appear to be working.
- **Management of Cancelled and Voided Checks** – Controls appear to be working.
- **Year-end Monetary Transmittal Forms/Envelopes Process** – Condition still partially exists. **See Finding 2020.05** regarding *Year-End Monetary Transmittal Form Procedures Not Followed*.

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- **Failure to Complete Fundraising Reports** – Condition still exists. See Finding 2020.06 regarding *Fundraiser Forms Not Completed*.

**ACKNOWLEDGEMENT**

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