



November 19, 2019

**MEMORANDUM**

To: Susan Holiday, Instructional Director  
Cluster 2

Mary Stephenson, Ed. D., Principal  
Pointer Ridge Elementary School

From: Michele Winston, CPA,  
Director Internal Audit

Re: Financial Audit for July 1, 2016 through September 30, 2019

An audit of the financial records of **Pointer Ridge Elementary School** was completed for the period July 1, 2016 through August 31, 2019. The audit indicates that the school's internal controls require improvements to be in compliance 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 **December 19, 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 Derrick Martin, Auditor II, email address: [derrick.martin@pgcps.org](mailto:derrick.martin@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 versions 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, CPA, Director, Financial Services  
Kassandra Lassiter, Ed. D., Associate Superintendent for Elementary Schools  
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**

**Pointer Ridge Elementary School  
Student Activity Funds**

**For the Period Ended September 30, 2019**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Pointer Ridge Elementary School for the period July 1, 2016 through September 30, 2019. Pointer Ridge 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 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;*
- *Inappropriate Prior-Year Carryover Fund Transfers;*
- *Insolvent Principal Sponsored Activities Fund Account; and*
- *Fundraiser Forms Not Completed*

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 September 30, 2019.



Michele Winston, CPA, Director  
Internal Audit

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**SUMMARY**

Internal Audit completed an audit of the student activity funds (SAF) for Pointer Ridge Elementary School for the period July 1, 2016 to September 30, 2019. The audit and investigation indicate that the school's internal controls are effective but require further improvements to be in full compliance 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 to September 30, 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 Funds Received**

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

- A. ***Delinquent Deposits:*** There were **13** instances where the deposit was not made timely following initial collection of funds. Deposits were made up to 15 days after initial collection by the staff member.
- B. ***Accounting Errors:*** The MTF numbers were not properly identified in SFO for all receipts in the audit period through June 30, 2019.
- C. ***Storage of End-of-Year MTF Envelopes:*** End-of-Year MTF copies have been stored with all of the other financial records, to which the financial recordkeeping staff has access.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* includes the following provisions:

- A. Staff members collecting money are required to complete a MTF and submit it to the bookkeeper with the funds collected on the same day as collected. Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- B. Prior to departing at year-end, faculty and program managers are to submit the pink and yellow copies of the MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator. The MTF clarifies that the designated administrator may not be the bookkeeper.
- C. The APM, Section 3.2.2, *Bookkeepers/Financial Secretaries* states that the bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.

The school operated without a second secretary in the front office during the 2018-2019 school year. As a result, the financial recordkeeping staff had to cover the front office and was unable to make trips to the bank a part of their normal daily schedule. Often times, the financial recordkeeping staff did not leave the school until after the bank had closed. The school has hired another secretary for the 2019-2020 school year, which has allowed for the possibility of more timely bank deposits.

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The financial recordkeeping staff was entering the MTF number into the wrong field in School Funds Online (SFO) until Accounting and Financial Reporting made her aware in June 2019. She had not been previously aware of the mistakes.

The principal and financial recordkeeping staff were not aware that end-of-year MTF envelopes had to be stored away from the financial recordkeeping staff in order to maintain the integrity of the controls.

The lack of effective internal controls over cash collections constitute non-compliance with Board policies and procedures and have increased the financial risk to the school. Specifically, funds not deposited timely are at risk of being lost or stolen. Incorrect MTF numbers compromises the audit trail necessary to track collected funds. The financial recordkeeping staff having access to end-of-year MTF envelopes compromises the segregation of duties built into the MTF submission process.

**Recommendation:** The following must be implemented to ensure proper management of the funds collected:

- A. The principal and financial recordkeeping staff should work together to determine a specified slot of time each day to make bank deposits, regardless of staffing in the front office.
- B. The financial recordkeeping staff should continue to ensure that MTF numbers are properly recorded in SFO.
- C. The principal should ensure that end-of-year MTF envelopes are stored in a location inaccessible to the financial recordkeeping staff to ensure the integrity of the MTF submission process.

**2020.02 Mismanagement of Disbursements**

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

- A. ***Lack of Proper Pre-Approval:*** There were **4** instances where a purchase was made prior to pre-approval from the principal. The principal did not date her pre-approval to document that it was made prior to purchase in **5** other instances. Further, in **19** instances, the financial recordkeeping staff did not properly complete School Funds Expenditure Forms (SFEFs) by indicating the amount of funds available prior to the principal's review of the request.

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The APM, Section 4.5.3, *Cash Disbursements*, includes the following provisions:

- 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. At no time should staff reimbursements be used as a mechanism for paying unapproved vendors in SFO.

The principal and financial recordkeeping staff have established a pre-approval process for expenditures and have trained staff. However, they have not always stayed diligent to ensure that written pre-approvals are made with completed SFEFs prior to any commitment of funds.

Administrators have also reminded staff regarding the need to use approved vendors. During 2019, Accounting and Financial Reporting updated the SFEF, to include a field for the financial recordkeeping staff to ensure a vendor is approved prior to pre-approval. This inclusion has helped to ensure that staff members are informed prior to making purchases.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically the failure to use the SFEF to pre-approve all expenditures can lead to insolvent accounts (See Finding 2020.04).

**Recommendation:** The principal and financial recordkeeping staff should remain diligent to ensure that the new SFEF is properly completed including written pre-approval before any commitment of funds. The staff should continue to be trained on the process, to include the requirement that only approved vendors can be used for reimbursements.

**2020.03 Inappropriate Prior-Year Carryover Fund Transfers**

The school executed **10** transfers, totaling **\$11,746.63** from the Prior Year (PY) Carryover account to other unrestricted accounts without approval from Accounting & Financial Reporting.

The APM, Section 4.5.5, *Prior-Year Carryover Funds*, states that the principal may request the use of PY Carryover funds to purchase instructional materials, computers, maintenance needs, or other items for the school. The request must be sent to Assistant Controller, detailing the items to be purchased, purpose and the amount of the request. The request will be reviewed and calculated, based on the total cash balance, and solvency of the school. Only upon written approval should funds be transferred from the PY Carryover account.



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calculated, based on the total cash balance, and solvency of the school. Only upon written approval should funds be transferred from the PY Carryover account.

Accounting and Financial Reporting has subsequently informed schools that up to \$1,000.00 can be used out of the PY Carryover account during the first trimester without the need for authorization.

The financial recordkeeping staff stated that they were aware that PY Carryover fund should not be used unless no other unrestricted funds were available. However, they were unaware that pre-authorization was needed prior to transferring the funds. During 2018-2019, the financial recordkeeping staff included transfer request forms with her trimester reports when sending to Accounting and Financial Reporting, but these were submitted after the transfers were executed.

Inappropriate PY Carryover transfers constitute non-compliance with BOE policies and procedures and increases financial risk to the school. The authorization process for PY Carryover transfers is the main control used to ensure schools remain financially solvent.

**Recommendation:** The principal and financial recordkeeping staff should ensure that requests are made to Accounting and Financial Reporting and authorized prior to transfers of PY Carryover funds beyond the \$1,000 allowance in the first trimester.

**2020.04 Insolvent Principal Sponsored Activities Fund Account**

The Principal Sponsored Activities (PSA) fund account had an overall deficit of (\$111.98) as of September 30, 2019.

The APM, Section 9.6, *Principal Sponsored Activities for Staff*, states that discretionary expenditures incurred by the principal on behalf of school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances staff members' job performance. If the PSA fund account has a deficit, faculty spending must cease until the existing PSA deficit is resolved. Expenditures for authorized PSA are restricted to the funds available from the following sources:

- 100% of vending commission from machines located in the staff lounge
- 25% of student vending commission
- 15% of school-wide fundraiser profits, including picture commissions
- Up to 25% of senior class residual funds.

The PSA fund account became insolvent in September 2019, following an expenditure for food for a staff luncheon. The financial recordkeeping staff did not include the funds available on

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the SFEF prior to the principal's pre-approval of SFEFs, which would have indicated that the expenditure exceeded the available funds (See Finding 2020.02).

Failure to properly manage PSA spending constitutes non-compliance with BOE policies and procedures. A deficit in the PSA fund account represents funds that are no longer available for positive student experiences as intended.

**Recommendation:** The principal and financial recordkeeping staff should ensure that the pre-approval process is comprehensive to include a review of available funds prior to pre-approval of expenditures (See Finding 2020.02).

Expenditures from the PSA fund account should be suspended until the fund account is solvent. The financial recordkeeping staff stated that they are expecting overdue commission checks for faculty vending from 2018-2019 that will bring the account to solvency.

**2020.05 Fundraiser Forms Not Completed**

Fundraiser Completion Reports were not completed for **9** of the **10** fundraisers held during the audit period. Further, annual fundraising summaries had not completed at the end of each school year in the audit period.

The APM, Section 7.2.2, *Fundraising Procedures*, requires that at the conclusion of all fundraisers, a Fundraiser Completion Report must be prepared by the sponsor. Fundraising data 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 principal and financial recordkeeping staff were aware of the requirement for fundraiser forms but had not set up a process to ensure that they were properly completed at the completion of each fundraiser and at the end of each school year.

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 by each fundraiser.

**Recommendation:** The principal and financial recordkeeping staff should establish a process to ensure that all fundraising forms are completed as required. The principal should review all Completion Reports to gather relevant information for completion of annual fundraising summaries.

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**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Pointer Ridge Elementary School was issued for the period ended May 31, 2014. The principal has been in place for the entire audit period. The financial recordkeeping staff joined the school in July 2015. There were **2** findings reported in the prior audit and **1** is repeated. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Delinquent Deposits** – Condition still exists. See Finding 2020.01 regarding *Mismanagement of Funds Received*.
  
- **Delinquent Payment of Invoices** – Controls appear to be working.

**ACKNOWLEDGEMENT**

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