



September 29, 2021

MEMORANDUM

To: Ebony Cross Shields, Instructional Director
Cluster 6

Wanda Robinson, Ed. D., Principal
Highland Park Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for September 1, 2015 through June 30, 2021

An audit was completed on the financial records of **Highland Park Elementary School** for the period September 1, 2015 through June 30, 2021. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds (SAF) 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 **October 29, 2021** 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. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Katrina Greene, Student Activity Fund Support Specialist, email address: katrina.greene@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

cc Juanita Miller, Ed. D, Board Chair
Monica Goldson, Ed.D. Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Kasandra Lassiter, Ed. D., Associate Superintendent Elementary Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Kelvin Campbell, Internal Auditor II

Internal Audit Report

**Highland Park Elementary School
School Activity Funds**

For the Period Ended June 30, 2021

Highland Park Elementary School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Highland Park Elementary School for the period September 1, 2015 through June 30, 2021. Highland Park 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 Generally Accepted Government Auditing Standards 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,*
- *Excessive Spending in Restricted Accounts, and*
- *Record Retention*

The findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual for School Activity Funds (APM).

In our opinion, the SAF referred to above, requires improvement to achieve compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2021.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Highland Park Elementary School for the period September 1, 2015 through June 30, 2021. The audit was conducted as part of the department's 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 for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **3** findings which occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. 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 and available cancelled checks, and all voided checks and MTF envelopes submitted by staff for the period September 1, 2015 through June 30, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Audit results were based on available documentation. There were a significant number of documents that were not on file for review. (*See 2022.03 regarding Record Retention*).

This is an audit of funds related to students' activities at the school and does not include school operating resource funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2022:01 Mismanagement of Funds Received

The following exceptions were noted relative to the admiration of funds collected.

- A. *Inadequate Supporting Documentation* - There were **8** instances where collections were not properly supported with documentation such as a Deposit Analysis Sheet, a completed MTF, student remittance reports, indicating the source of the funds, the date of collection and amount of funds collected.
- B. *Delinquent Deposit* - There were **3** instances where deposits were not made in a timely manner. The range of delinquency was between **4** and **106** days.
- C. *Misclassification of Funds* - There was **1** instance where a deposit was not appropriately classified. The school received a donation of **\$500.00** from a local church that was recorded in the field trip account instead of the donation account.

The APM provides the following guidelines regarding the administration of funds received:

- A. MTFs should be supported with student remittance forms, fundraiser forms or other documentation that shows the source and purpose of funds collected.
- B. Deposits of all funds received are required at least every other day. However, no more than **\$250.00** should be kept in the building overnight. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- C. Transactions should be recorded in the most specific account relating to the activity. If transactions fit an established category and are expected to occur frequently, it is easier to monitor and track such transactions in a separate account.

The recordkeeping staff did not perform verification of supporting documentation prior to accepting and approving MTFs and making deposits. School staff were not held accountable for remitting funds to the recordkeeping staff on the day of collection. According to the principal and recordkeeping staff, the isolated instance where a deposit transaction was not accurately recorded in SFO occurred because the school received an unrestricted donation that the principal wanted to use to cover expenditures for a fieldtrip. As such, the donation was posted to the fieldtrip account instead of unrestricted donations account.

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Failure to adequately perform recordkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected were subsequently remitted and deposited was not available. Delinquent deposits of funds and misclassification of financial transactions impact the accuracy of financial reporting upon which administrators rely to make financial decisions.

Recommendation: The following corrective actions should be implemented for funds received to be processed in accordance with BOE policies and procedures.

- A. The recordkeeping staff must ensure that all collection documentation is adequate by verifying that all appropriate support is attached to the MTF prior to acceptance and approval.
- B. The recordkeeping staff must deposit all funds collected and remitted daily, especially funds in excess of **\$250.00**. Teachers must be informed that funds collected cannot be held overnight. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The principal should hold staff members accountable for compliance.
- C. The recordkeeping staff must ensure all expenditures are properly recorded in School Funds Online (SFO). Also, a chart of accounts should be printed and reviewed to help facilitate this recommendation.

2022.02 Excessive Spending in Restricted Accounts

The following restricted accounts contained deficits which aggregated to approximately **(\$417.05)** as of June 30, 2021.

<u>Account #</u>	<u>Account Description</u>	<u>Amount</u>
565.00	Materials of Instruction	(\$303.20)
572.00	Music	(\$113.85)
	Total	(\$417.05)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for SAF, the principal should ensure all accounts are always solvent.

The principal and former recordkeeping staff did not implement internal controls to monitor account balances through the pre-approval process to ensure that restricted accounts maintained positive balances. BOE policies and procedures as established in the **APM** regarding the use of restricted funds were not always followed.

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Students are not receiving the maximum possible benefit of the resources that should have been available to them when restricted accounts are insolvent.

Recommendation: The principal and recordkeeping staff should evaluate all potential expenditures regarding available resources prior to approving expenditures and care must be exercised to ensure that fund account deficits are avoided. Spending in these accounts must cease until the account deficits are resolved. The principal should consult with the Accounting and Financial Reporting Office regarding resolving these deficits.

2022.03 Record Retention

The following supporting documentation to substantiate financial transactions were not available for review in the following instances:

- **6** Cash Disbursements e.g. SFEFs and invoices,
- **6** Cash Receipts, e.g. Monetary Transmittal Forms, class lists for field trips, deposit slips, deposit analysis sheet
- **1** Voided Check,
- **9** Fund Transfer Journal Entry Proof Sheets
- **4** Year-end Monetary Transmittal Forms (Pink and Yellow)

According to the APM Section 6.12, *Record Retention*, All SAF records must be retained for a period of **7** years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, MTFs, SFEFs cancelled checks and contracts.

Neither the former nor current recordkeeping staff maintained an adequate records management system. The principal did not provide the necessary oversight for this process. These actions have caused the school to be noncompliant with BOE policies and procedures relative to record retention.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal must provide oversight that ensures the establishment of an adequate record management system where financial records are retrievable in the principal's or the recordkeeping staff's absence.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Highland Park Elementary School was issued for the period ended August 31, 2015. During that period, the principal was in her current position and the current recordkeeping staff was not. The current recordkeeping staff's tenure began in May 2019. The previous audit report included 2 reportable conditions, of which 1 is repeated in the current audit. The following findings were noted because of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** - Condition still exists. **See Finding 2022.01** regarding *Mismanagement of Funds Received*

- **Mismanagement of Disbursements** - Condition was primarily resolved

ACKNOWLEDGEMENT

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