



September 30, 2019

MEMORANDUM

To: Niki Brown, Ed. D., Instructional Director
Cluster 4

Trevor Liburd, Ed. D., Principal
Edward Felegy Elementary School

From: Michele Winston, CPA, Director
Internal Audit

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

An audit was completed on the financial records of **Edward Felegy Elementary School** for the period July 1, 2016 through June 30, 2019. The audit indicates that the school's internal controls and procedures require significant improvements to be in accordance with the Accounting Procedures Manual 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 principal of the school, you will be responsible for preparing an action plan by **October 30, 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. A copy of your action plan should also be forwarded to Jerry Chandler, Internal Auditor II, email address: jerry.chandler@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: 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
Kassandra Lassiter, Ed. D., Associate Superintendent for Area 1
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

**Edward Felegy Elementary School
Student Activity Funds**

For the Period Ended June 30, 2019

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

Table of Contents

INTERNAL AUDITOR’S REPORT2
SUMMARY3
OBJECTIVES3
SCOPE3
FINDINGS AND RECOMMENDATIONS4
STATUS OF PRIOR AUDIT FINDINGS14
ACKNOWLEDGEMENT14

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Edward Felegy Elementary School for the period July 1, 2016 through June 30, 2019. Edward Felegy 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:

- *Funds Not Deposited,*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements,*
- *Mismanagement of Bank Reconciliations,*
- *Misclassification of Bank Charges,*
- *Year-End Monetary Transmittal Form Procedures Not Followed,*
- *Insolvency Report Not Properly Completed,*
- *Fundraiser Forms Not Completed,*
- *Voided Checks Not Properly Defaced,*
- *Club Budgets Not Developed, and*
- *Failure to Maintain a Current Vending Contract*

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, 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

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for Edward Felegy Elementary School for the period July 1, 2016 through June 30, 2019. The audit was conducted as part of the department's annual audit plan.

The audit and investigation indicate that the school's internal controls and procedures require significant 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 June 30, 2019. In addition, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations

2020.01 Funds Not Deposited

Funds collected in May 2019 in the amount of **\$112.00** was identified in the financial recordkeeping staff's locked cabinet during audit fieldwork in August 2019 when inquiry into a deposit in transit was made by Internal Audit.

The Accounting Procedures Manual, Section 4.5.2, Cash Receipts, states that bookkeepers should make deposits of all funds received at least every other day. No more than \$250 should be kept in the building overnight. If money is kept on-hand at the school awaiting deposit, it must be kept in a locked fireproof safe, which only the principal and bookkeeper can access the contents. It also states that deposit slips must be retained at the school and attached to the deposit support.

The APM, Section 5.2, *Financial Reporting Requirements*, states that principals are required to review financial reports and verify that the bank statement is reconciled correctly.

The \$112.00 was supported by three Monetary Transmittal Forms signed by the financial recordkeeping staff on May 24, 2019. The financial recordkeeping staff stated that due to a fire drill, her normal procedures were not followed, and she forgot that the funds were in her locked cabinet. She recorded the deposit in SFO, but did not notice that funds had not been deposited because a process to ensure deposit slips are attached to all MTFs has not been established (*See 2020.02*). The funds have since been deposited into the schools bank account.

Because the collection of these funds was recorded in SFO, but not made at the bank, they were listed as Deposits in Transit on the school's May and June reconciliations. However, neither the principal nor the financial recordkeeping staff was aware of what constituted the deposits in transit balance until Internal Audit's inquiry into the deposit in transit amount. The bank reconciliations were signed without any investigation into whether collected funds had been properly deposited. Further, the 2019 end of year trimester report review conducted by Accounting and Financial Reporting did not address the deposits in transit.

As a result of the lack of effective controls for documenting deposits and conducting bank reconciliations, funds went unaccounted for over a period 2 months. The risk of lost or stolen SAF was significantly increased.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

Recommendation: The following should be performed to strengthen controls overfunds collected and deposits:

- A. The financial recordkeeping staff should ensure that all deposits made in SFO are supported by validated bank deposit slips to ensure that all funds collected have been properly deposited.
- B. The Principal and financial recordkeeping staff should better utilize the bank reconciliation process to ensure bank and SFO balances are appropriately reconciled. Deposits in transit should always be investigated prior to signature and the financial recordkeeping staff must be held accountable for compliance.
- C. Accounting and Financial Reporting should ensure that deposits in transit are properly investigated when identified on reconciliations submitted during the trimester reporting process especially when included on bank reconciliations for more than one month.

2020.02 Mismanagement of Funds Received

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

- A. ***Monetary Transmittal Funds Not Supported with Validated Deposit Slips:*** There were **5** instances, in addition to the deposit reported in Finding 2020.01, where validated deposit slips were not attached to the MTF packages.
- B. ***Incomplete and/or Inadequate Documentation of Funds Received:*** There were **5** instances where remittance information was not included or did not match the MTF and/or deposit amount.
- C. ***Misclassified of Collection:*** There were **4** instances, where the receiptee listed in SFO was not the preparer of the MTF. The financial recordkeeping staff used the name of the external entity that provided the funds (i.e. Compass Vending) as the receiptee instead of the staff member who processed the MTF.
- D. ***Delinquent Deposits:*** There were **3** instances where the deposit was not made timely following initial collection of funds. Deposits were made up to 38 days after initial collection.
- E. ***Lack of a Drop Safe:*** The school does not have a drop-safe to securely safeguard funds awaiting deposit. The financial recordkeeping staff also believes that staff members sometimes hold funds in their offices overnight.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

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

- A. The bookkeeper should complete duplicate bank deposit slips. The validated copy is required to be filed at the school with the MTF that supports the deposit.
- B. Staff members collecting money are required to complete a MTF and submit it to the bookkeeper with the funds collected. The MTF must be completed with the following information. 1) who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.
- C. The bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.000 should be kept in the building overnight.
- D. If money is kept on-hand at the school awaiting deposit, it must be kept in a secure location. A secure location is a locked fireproof safe, which only the principal and bookkeeper can access the contents. The safe should be bolted to the floor and in a location accessible to staff which will facilitate submitting money, even if the Bookkeeper is unavailable. A log should be maintained where staff members record their name and the date of the 'drop'. The funds should be sealed in an envelope with the completed, signed MTF enclosed. On the following day, the staff member dropping off money should make sure the bookkeeper has a record of the deposit. Money should never be dropped without an MTF.

Reportedly, the following was contributory to mismanagement of funds received:

- A. The financial recordkeeping staff stated that she has not been diligent to ensure that all MTFs are matched with validated deposit slips.
- B. The lack of remittance information were mostly noted in special situations like book fair collections. The financial recordkeeping staff was not aware that the Scholastic sales tape could be used as support for the funds collected.
- C. The financial recordkeeping staff was also not aware that the staff receiptee was to be included in SFO when funds were collected from an external entity
- D. The delinquent deposits resulted from rare instances where staff members did not provide the funds timely to the front office, according to the financial recordkeeping staff.
- E. Neither the principal nor financial recordkeeping staff was aware of the APM requirement to have a drop-safe available to secure funds awaiting deposit.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

The lack of effective internal controls over cash collections constitute non-compliance with Board policies and procedures and have increased the risk of lost or stolen funds. Specifically, the lack of matching deposit slips to recorded deposits, and the lack of a drop safe could have potentially resulted in lost funds in May 2019 (*See Finding 2020.01*).

Recommendation: The following is recommended for collections to be processed as required by the APM:

- A. The principal and financial recordkeeping staff should familiarize themselves with the APM requirements for cash collections, and develop internal controls that ensure compliance. Specifically, staff should be trained to remit funds on the day of collection, with full support for remittance amount. Validated deposit slips should support all recorded deposits.
- B. The financial recordkeeping staff should ensure that receiptees are entered correctly into SFO when funds documented on the MTF are from students or external entities.
- C. The principal should arrange for the purchase and installation of a drop safe. The safe should be accompanied by a safe log where staff members record their name and date of any funds dropped.

2020.03 Mismanagement of Disbursements

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

- A. ***Lack of Proper Pre-Approval:*** There were **9** instances where the Principal did not provide written pre-approval prior to the commitment of funds. In **1** other instance, the principal did not date his pre-approval approval; therefore, a determination could not be made as to whether the approval was timely. Further, in **10** instances, the financial recordkeeping staff did not indicate the amount of funds available in the relevant account on the School Funds Expenditure Form (SFEF).
- B. ***Delinquent Payments:*** There were **4** instances where payments were not made to vendors by the due date listed on the invoice. Payments were still outstanding as of August 14, 2019 in **2** of these 4 instances.
- C. ***Accounting Errors:*** There were **5** instances where checks were posted to an incorrect account in SFO.

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

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

- A. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The form includes a space for front office staff to indicate the amount of funds available in the relevant account prior to the principal providing pre-approval.
- B. Principals should review invoices and statements for past due amounts and ensure payments are made within 30 days of the invoice, or by the due date on the invoice.

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. 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.

Noncompliance with the requirements for disbursements resulted due to the following:

- A. The principal and financial recordkeeping staff were not aware of the requirements for pre-approval on all checks, and did not establish a procedure to ensure the principal's review of the SFEF prior to any commitment of funds. The instances of late payments and open invoices were a byproduct of the lack of pre-approval. For the late payments, the financial recordkeeping staff was not aware that commitments had been made to vendors, and was unable to ensure that invoices were paid unless they were sent directly to her. The financial recordkeeping staff mistakenly thought that payments of open invoices should be delayed until after the audit process.
- B. The financial recordkeeping staff was unaware of the requirement to transfer unrestricted funds to more appropriate accounts prior to expenditure. For example, expenditures for special events were posted directly to fundraiser accounts since there was a balance available at the time.

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 has led to insolvent accounts, since available funds are not considered when checks are written. This practice could lead to overall insolvency of the school. The Music account is currently insolvent at (\$155.00) as a result of a payment made to a vendor that was not pre-approved and was over two years overdue. Late payments can lead to unnecessary late charges, or eroding relationships with vendors that could impact student experiences.

The improper accounting for disbursements compromises the ability to properly manage specific accounts.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

Recommendation: The following should be accomplished to correct deficiencies in management of disbursements:

- A. The principal and financial recordkeeping staff should immediately familiarize themselves with the specific requirements for expenditures as outlined in the APM. The principal should develop and document specific internal controls to mirror those requirements. The internal controls should include responsibilities for staff members, the financial recordkeeping staff, and the principal, specifically as it pertains to pre-approving expenditures and ensuring timely payments. The controls should be established followed by prompt training of staff.
- B. The financial recordkeeping staff should ensure that allowable transfers are made to ensure that all expenditures are posted to the most appropriate account.
- C. The principal must hold the financial recordkeeping staff accountable for compliance.

2020.04 Mismanagement of Bank Reconciliations

The April 2017 bank reconciliation was not properly saved in School Funds Online (SFO). As a result \$155.00 in deposits and checks that had cleared on the April 2017 bank statement remained as outstanding until mistakenly voided in June 2018 by Accounting and Financial Reporting financial recordkeeping staff in March 2019.

There were also 4 of 12 bank reconciliations examined that had not been reviewed and approved timely by the principal.

The APM, Section 5.2, *Financial Reporting Requirements*, states that the principal should receive and approve the package of reports, to include the bank reconciliation, by the 15th of each month.

The financial recordkeeping staff was unclear as to how the April 2017 reconciliation went unsaved in SFO. The reconciliation was printed out and signed by the principal. Neither the principal nor the financial recordkeeping staff was aware what “deposit in transit” meant, and their continued presence on the reconciliations did not trigger a more detailed review. Accounting and Financial Reporting instructed the financial recordkeeping staff to void the transactions due to their aging, but also did not detect the unsaved April 2017 reconciliation.

The principal has not established an effective procedure to ensure that the monthly reporting process is performed timely and effectively. The financial recordkeeping staff stated that reports are placed in the principal’s mailbox for signature, but there is not an established time for the

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

principal and financial recordkeeping staff to discuss the contents of the report prior to signatory approval by the principal.

Untimely preparation and unapproved bank reconciliations constitute noncompliance with BOE policies and procedures and increased financial risk to the school. The bank reconciliation process is the most effective internal control to ensure that funds are properly deposited and recorded when done timely and accurately. The principal and financial recordkeeping staff were providing signatory approval of reconciliations without being aware of the need to investigate deposits in transit to ensure that funds were not missing (*See Finding 2020.01*).

The instance of the cleared and eventually voided deposits and checks in April 2017 did not have any apparent financial impact on the school's financial statements because the amounts of deposits and checks for the month were both \$155 and netted to zero.

Recommendation: The principal and financial recordkeeping staff should establish and document a process for reviewing and approving bank reconciliations timely. A set meeting should be scheduled each month to review reports and discuss the SAF. Any questions regarding questionable items on the report should be forwarded to the Accounting and Financial Reporting Office or Internal Audit prior to signatory approval of the reconciliations.

2020.05 Misclassification of Bank Charges

Bank charges in the amount of **\$132.88** were misclassified as sales tax payments from April through July of 2016. As a result, the Sales Tax account had a negative balance of (\$132.88) as of June 30, 2019.

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.

An automatic debit for the sales tax balance was made to the school's bank account for \$5.29 in April 2016. Subsequently, the financial recordkeeping staff mistakenly recorded all bank service charges as sales taxes.

As a result of the misclassifications, bank service charges posted to the sales tax account causing the Sales Tax account to be insolvent in the amount of (\$132.88) at June 30, 2019. An incorrect balance in the sales tax account can result in errors in future sales tax payments pulled automatically from the school's account by Treasury Operations.

Recommendation: The financial recordkeeping staff should transfer \$132.88 from the Bank Charges account to the Sales Tax account to correct the previous journal entry misclassifications and bring the Sales Tax account to solvency. The financial recordkeeping staff should ensure that all journal entries are properly recorded in the future. Questions regarding charges on bank statements should be forwarded to Accounting and Financial Reporting prior to recording.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

2020.06 Year-End Monetary Transmittal Form Procedures Not Followed

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

- A. ***Missing Monetary Transmittal Form Copies:*** Yellow and pink staff remittance copies for **10** of the 18 MTFs reviewed, totaling **\$5,046.00** could not be located. A yellow copy was identified, but the pink copy could not be located in **2** additional instances.
- B. ***Lack of Sealed Envelopes:*** Staff copies of MTFs identified were not sealed in envelopes.
- C. ***Financial recordkeeping staff Access to Pink Copies:*** For all **5** staff MTF pink copies identified, the financial recordkeeping staff's signature was found on the MTF, 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 and not given to the bookkeeper. 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. The bookkeeper will print the SFO "Receiptee History" Report and submit it to the designated administrator. This alerts the administrator which MTF envelope packages to expect.

The principal and financial recordkeeping staff have not established a process for staff members to properly submit their MTF copies at the end of each school year. The principal was unaware of the specific requirements in the APM relative to MTF envelope submission.

The financial recordkeeping staff was not aware of specific differences between the yellow and pink copies, and had not instructed staff to remove the pink copies prior to remitting funds to the front office.

The ineffective year-end 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.

Recommendation: The principal and financial recordkeeping staff should immediately familiarize themselves with the specific requirements for end-of-year MTF collection in the APM. The principal should develop and document specific internal controls to mirror those requirements. The internal controls should include responsibilities for staff members, the financial recordkeeping staff, the designated administrator, and the principal. The principal should provide enforcement of controls to ensure envelopes are properly collected, sealed, and signed.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

2020.07 Insolvency Report Not Properly Completed

The financial recordkeeping staff did not accurately complete the Insolvency Report on the June 2019 Financial Report. Unpaid bills were indicated as \$0, with no corresponding Unpaid Bills Spreadsheet. During the audit, the financial recordkeeping staff identified \$500.00 that should have been included in the solvency calculation on the June 2019 Insolvency Report.

SAF Accounting Procedures Manual, **Section 5.2, *Financial Reporting Requirements***, states that the Insolvency Report should be completed monthly and requires the bookkeeper to manually record data in order to calculate the school's solvency. The bookkeeper is required to manually calculate the value of unpaid bills that existed as of the end of each reporting period for both restricted and unrestricted funds to complete the report,.

The principal and financial recordkeeping staff were not familiar with the specific requirements for monthly reporting in the APM. The financial recordkeeping staff was aware of how to complete the Unpaid Bills Spreadsheet, but was unaware that the results needed to be carried forward to the Insolvency Report.

Failure to complete an unpaid bills spreadsheet can affect the school's solvency calculation on a monthly basis. The principal and financial recordkeeping staff may be less aware of open invoices which can lead to untimely payments (*See Finding 2018.02*).

Recommendation: The principal and financial recordkeeping staff should familiarize themselves with the specific requirements for monthly reporting in the APM. They should collaboratively review open invoices during the monthly financial reporting process to ensure the unpaid bills spreadsheet is completed properly and that it is incorporated into the Insolvency calculation.

2020.08 Fundraiser Forms Not Completed

Fundraiser Completion Reports and annual fundraising summaries were not completed during 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 Authorization Form. At the conclusion of all fundraisers, a Fundraiser Completion Report must be prepared by the sponsor. Additionally, the Principal should prepare an annual report summarizing all fundraising activities concluded during the 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 school has conducted only school-wide fundraisers during the audit period. Each school-wide fundraiser should have a corresponding Completion Report, but the principal and financial

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

recordkeeping staff were not aware of the requirements, and have not established a process to complete the forms. The Principal and financial recordkeeping staff were also unaware of the requirements 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 by each fundraiser.

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

2020.09 Voided Checks Not Properly Defaced

There were 4 instances where voided checks were not properly defaced by removal of the signature line.

The APM, Section 4.5.3, *Cash Disbursements*, states that voided checks must be defaced and filed in check number order with cancelled check images.

The principal and financial recordkeeping staff were not aware of the requirement for defacing voided checks. The failure to properly deface and file voided checks represents non-compliance with BOE policies and procedures and increases the risk of check fraud for the school.

Recommendation: The financial recordkeeping staff should begin to deface all voided checks. The principal should provide oversight to this process when approving voided checks.

2020.10 Club Budgets Not Developed

The school's drama clubs has not developed and submitted an annual budget to the financial recordkeeping staff for its activities.

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 lack of club 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.

Edward Felegy Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2019

Recommendation: The principal and financial recordkeeping staff should develop a budget template for club sponsors to use during the 2019-2020 school year. Responsible staff should be held accountable for compliance

2020.11 Failure to Maintain a Current Vending Contract

The school does not have an active contract with their vendor for vending machines (1 snack and 1 soda). The last signed vending contract was dated October 22, 2015.

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

The principal and financial recordkeeping staff were not aware of the requirement for annual vending contracts. Failure to maintain an active contract for vending machine operations constitutes non-compliance with BOE policies and procedures. Further, the lack of active contract prevents the school from having any recourse if there are issues with service or commissions

Recommendation: The financial recordkeeping staff should contact the vendor and obtain a signed contract for the vending machine operations. The contract should stipulate the frequency and percentage of commissions. The contract should be renewed annually. In the absence of securing a signed vending machine contract, Purchasing and Supply Services should be contacted to identify a new vending company.

STATUS OF PRIOR AUDIT FINDINGS

Edward Felegy Elementary School opened in August 2014 and this is the first SAF audit conducted. The principal's tenure began in July 2016 and financial recordkeeping staff's tenure began when the school opened.

ACKNOWLEDGEMENT

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