

July 22, 2019

MEMORANDUM

To: Ebony Cross Shields, Ed. D, Instructional Director
Cluster 6

Stephanie Barber, Principal
Judge Sylvania Woods Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for Period July 1, 2015 through May 31, 2019

An audit was completed on of the financial records of **Judge Sylvania Woods Elementary School** was completed for the period July 1, 2015 through May 31, 2019. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan by August 22, 2019, indicating steps that will be taken to ensure compliance with the Accounting Procedures Manual. 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, Business Analyst, 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.

cc: Alvin Thornton, Ph. D, Chairman, Board of Education
Monica Goldson, Ed. D. Chief Executive Officer
Members of the Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D, Chief of School Support and Leadership
Kasandra Lassiter, Ed. D, Elementary Schools Associate Superintendent
Michael Herbstman, Chief Financial Officer
J. Michael Dougherty, Director Financial Services
Suzann King, Esq., Executive Director, Board of Education
Joeday Newsom, Esq., Ethics Compliance Officer
Alanna Cooper, Internal Auditor II

Internal Audit Report

Judge Sylvania Woods Elementary School Student Activity Funds

For the Period Ended May 31, 2019

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

Table of Contents

INTERNAL AUDITOR’S REPORT..... 2
SUMMARY..... 3
OBJECTIVES 3
SCOPE..... 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS.....12
ACKNOWLEDGEMENT 13

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

Internal Auditor's Report

We have examined the Student Activity Funds of Judge Sylvania Woods Elementary School for the period July 1, 2015 through May 31, 2019. Judge Sylvania Woods Elementary School's principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

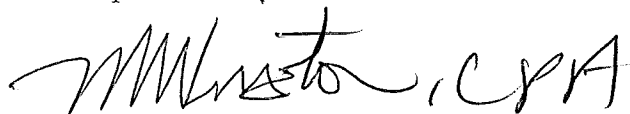
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures as we 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*
- *Administration of Voided Checks*
- *Financial Reporting*
- *Fundraiser Forms*
- *Principal Sponsored Activities (PSA) Account Deficit, and*
- *Record Retention*

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 May 31, 2019.



Michele Winston, CPA,
Director Internal Audit

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

SUMMARY

Internal Audit completed an audit of the student activity funds (SAF) of Judge Sylvania Woods Elementary School for the period July 1, 2015 through May 31, 2019. The audit was performed as part of the 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.

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 APM and the 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, cancelled checks, voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2015 through May 31, 2019. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

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 funds received were identified:

- a) ***Inadequate Documentation of Funds Received*** - There were **10** instances where the recordkeeping staff accepted MTFs that were incomplete or inadequately documented. School staff omitted remittance data in section 2 of MTFs. ***(This condition was also noted in the previous audit as of September 30, 2014.)***
- b) ***Year-End Monetary Transmittal Form Envelopes*** - The year-end MTF submission process was not operating as required by procedures outlined in the APM. There was **1** instance in FY18 and **2** instances in FY17 where 3 staff members were unable to locate their pink and yellow MTF remittance copies. ***(This condition was also noted in the previous audit as of September 30, 2014.)***
- c) ***Delinquent Deposits*** - There were **16** instances where funds were not deposited timely. Amounts up to **\$539.54** were held up to **26** days. ***(This condition was also noted in the previous audit as of September 30, 2014.)***

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

- a) Staff members collecting funds are required to complete MTFs entirely and submit to the recordkeeping staff along with funds collected. The following information must be included, 1) who collected funds; 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. Sections 1 and 2 of MTFs must be completed.
- b) Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow MTF remittance copies in sealed envelopes (with their signature over the seal) to the designated administrator. Year-end MTF envelopes should be stored in a location inaccessible to the bookkeeper. 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, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

- c) All funds collected are required to be remitted to the recordkeeping staff on the day of collection. The recordkeeping staff is also required to make timely deposit of these funds, at least every other day. No more than \$250.00 should be kept in the building overnight.

Contributory factors in the mismanagement of funds received are as follows:

- a) According to the recordkeeping staff, generally errors are communicated to the preparer at the time of MTF submission. Incomplete MTFs that were processed was an oversight.
- b) School staff were not available to provide explanation for the pink and yellow MTF remittance copies that could not be located.
- c) The recordkeeping staff does not have access to a vehicle or individuals to consistently give her a ride to the bank during the school day. She does not consistently inform the principal about deposits due to the principal's workload.

The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring all SAFs collected were subsequently deposited was weakened and the potential for loss of assets increased.

Recommendation: The following is recommended for the principal and recordkeeping staff to properly manage funds received:

- a) The principal and recordkeeping staff should re-train school staff on how to properly complete and adequately support MTFs submitted to the recordkeeping staff. The recordkeeping staff should closely review MTF packages to ensure accuracy and completeness prior to acceptance and approval. Staff should be held accountable for compliance.
- b) Staff must be reminded that the pink and yellow MTF remittance copies must be maintained and submitted at the end of the school year.
- c) The principal should identify a method for ensuring funds are promptly taken to the bank for deposit on a consistent basis.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

2020.02: Mismanagement of Disbursements

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

- a) ***Incomplete and Inaccurate Documentation*** - There were **5** instances where expenditures reviewed did not have the appropriate approval documentation. The “funds available” section of School Funds Expenditure Forms (SFEFs) were not completed detailing the available balance in the respective fund accounts. A webpage and a quote was provided to substantiate expenditures in **2** instances. ***(This condition was also noted in the previous audit as of September 30, 2014.)***
- b) ***Inadequate Principal Approval and Segregation of Duties*** – There were **19** instances where SFEFs reviewed during the audit period were not adequately approved by the principal. The principal approved her own expenditure requests for reimbursement in these instances. ***(This condition was also noted in the previous audit as of September 30, 2014.)***
- c) ***Sales Taxes Paid*** - There were **9** instances where sales tax was paid for expenditures incurred on behalf of the school.
- d) ***Checks Not Entered in SFO*** - There were **6** instances where check numbers were not entered in SFO.

The APM provides the following guidelines relative to the administration of cash disbursements:

- a) The recordkeeping staff is required to determine if funds are available, initial, date and record the amount available on the SFEF to provide information to facilitate the principal’s approval. Expenditures of SAF are required to be supported by itemized receipts or invoices.
- b) Prior to ordering or purchasing goods or services, a SFEF must be completed, signed and dated (approved) by the principal. In instances where reimbursement(s) is necessary check signers should not sign their own reimbursement checks. This responsibility lies with the two (2) alternate signers.
- c) Purchases made by schools and PGCPS are sales tax-exempt, if used in the conduct of school business. After the principal approves a purchase, a copy of the sales tax exempt certificate is required to be provided to staff for presentation to the vendor when making school purchases.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

- d) Section 3.2.2, *Bookkeepers/Financial Secretaries*, requires the recordkeeping staff to accurately record and report the school's financial transactions.

Contributory factors in the mismanagement of disbursements are as follows:

- a) Incomplete SFEEFs with insufficient documentation was due to an oversight on the recordkeeping staff's part.
- b) The recordkeeping staff was unaware that the principal could not approve her own expenditures. The principal strictly enforces staff obtaining pre-approval for school expenses. Cases where pre-approval was not obtained were few.
- c) Staff members either were unaware or failed to obtain the tax exempt card prior to making purchases.
- d) There were instances where the recordkeeping staff voided physical checks due to printing errors and forgot to enter the check number in SFO.

Lack of adequate documentation reduces assurance that purchases were made in accordance with BOE policy and procedures. The risk of insolvency and fraud is present when appropriate approval is not obtained prior to purchase, expenditures are not adequately documented, or there is lacking segregation of duties when the principal signs her own expenditure requests. Funds are expended unnecessarily when sales taxes are paid on tax-exempt school purchases. Also, financial activities are not completely captured and reported when all transactions are not recorded in the accounting system.

Recommendation: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- a) The principal and recordkeeping staff should provide more training to school staff on how to properly complete SFEEFs and submit adequate supporting documentation (receipts or invoices). The recordkeeping staff should closely review SFEEFs and supporting documentation to ensure accuracy and completeness prior to acceptance. Staff should be held accountable for compliance.
- b) The recordkeeping staff and principal should read the APM to become familiar with guidelines regarding principal approval and staff pre-approval of school expenditures.
- c) Staff must be reminded to obtain the sales tax exemption certificate number when making school purchases. The school should research how the school's tax exemption number can be maintained on file for vendors frequently visited by school staff.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

- d) The principal should ensure that staff members are reminded to provide the SFEF for approval and obtain the sales tax-exempt certificate for all school purchases.
- e) The recordkeeping staff must ensure all voided checks are entered in SFO.

2020.03: Administration of Voided Checks

The following exceptions relative to administration of voided checks were noted:

- a) *Void Check Proof Sheets Not Approved* - There were **54** instances where Void Check Proof Sheets were not approved by the principal.
- b) *Voided Checks and Void Check Proof Sheets (VCPS) Not Available* - There were **13** instances where voided checks could not be located. There were **12** instances where Void Check Proof Sheets could not be located.

According to the APM, when voiding a check, the physical check must still be accounted for. The word "VOID" is required to be written across the face of the check. The signature portion of the check must be cut off and destroyed. The check must also be voided in the computer. VCPS should also be completed and approved by the principal, noting the check was voided.

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, MTF, SFEF, cancelled checks and contracts.

The recordkeeping staff explained that VCPS are given to the principal to sign with the corrected check. There are some instances where the principal fails to sign the VCPS. The recordkeeping staff was not aware that checks that were voided due to printing errors were still required to be entered in SFO. The principal and recordkeeping staff did not follow the policies and procedures specified by the BOE regarding administration of checks. Inappropriate administration of checks exposes the school to fraud, waste and abuse of its resources. Failure to properly void checks could result in unauthorized check use and negotiation.

Recommendation: The recordkeeping staff should contact the Accounting and Financial Reporting Office and reference the APM in instances where she is uncertain of the BOE policies and procedures pertaining to voided checks.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

2020.04: Financial Reporting

The following exceptions relative to financial reporting were noted:

- a) ***Financial Reports Not Completed Timely*** - There were **20** instances during the audit period where monthly financial reports were not completed timely by the recordkeeping staff. Financial reports were prepared approximately 90 days after the due date. (*This condition was also noted in the previous audit as of September 30, 2014.*)
- b) ***Monetary Transmittal Form Numbers Entered Inaccurately*** - During the audit period the recordkeeping staff used a 6 digit chronologically generated number from School Funds Online in lieu of the respective number printed on the MTF when entering funds received in SFO.
- c) ***Inadequate Description Provided in SFO of Funds Received*** - During the audit period the recordkeeping staff entered the MTF number in the description in lieu of the purpose funds were collected from students.
- d) ***Approval of Funds Transfers*** - There were **39** instances where evidence of approval was not provided to substantiate funds transferred between restricted fund accounts, approval was not timely or Fund Transfer Journal Entry Proof Sheets could not be located.

The APM provides the following guidance pertaining to SAF financial reporting:

- a) Section 5.1.2, *Monthly Reconciliation & Financial Reporting Procedures*, states that 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 bank reconciliation should be completed by the bookkeeper within 7 days after receiving the statement from the bank. Typically this process should be completed by the 15th of each month. The completed reconciliation should be returned to the principal every month for review and approval.
- b) Section 3.2.2, *Bookkeepers/Financial Secretaries*, requires the recordkeeping staff to accurately record and report the school's financial transactions.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

- c) Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal.

Contributory factors in financial reporting noncompliance are as follows:

- a) There are instances where the recordkeeping staff reported that she is unable to complete bank reconciliations timely due to frequent interruptions during the workday.
- b) The recordkeeping staff was unaware that the numbers printed on the MTFs should be entered in SFO. Because the description field was not consistently used, the purpose of collection was not always documented.
- c) Fund Transfer Journal Entry Proof Sheets are generally provided to the principal with the monthly financial report. The principal's signature is not consistently provided during this review.

Delinquent reporting and inaccurate transaction details impacts the timeliness and reliability of information used in the decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted. Students may not be receiving the maximum benefit of funds available when there is inaccurate financial reporting.

Recommendation: The principal and recordkeeping staff must perform the following to improve financial reporting:

- a) The principal should provide the recordkeeping staff with scheduled uninterrupted time to complete the monthly bank reconciliation.
- b) The recordkeeping staff should contact the Student Activity Funds Administrator when there is uncertainty regarding proper entry of funds received in SFO.
- c) The recordkeeping staff should discuss fund transfers with the principal prior to making journal entries and provide the Fund Transfer Journal Entry Proof Sheet to the principal for signature at that meeting.

2020.05: Fundraiser Forms

The Fundraiser Request and Authorization Form, Fundraiser Completion Form, and annual fundraiser reports were not completed for fundraisers held during the audit period.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

Administrative Procedure 5135.1, *Fund Raising* requires the completion of Fundraiser Request and Authorization Forms, the Fundraiser Completion Form and the Annual Fund Raising Summary Report for fundraising events held by schools.

Internal Audit was unable to confirm the cause of incomplete fundraiser forms. The recordkeeping staff failed to complete the annual fundraiser report due to other competing responsibilities. The profitability of fundraisers used in decision making is not available when fundraiser forms are not completed.

Recommendation: School staff should be trained on their responsibilities related to the completion of fundraiser forms. The principal should ensure that the recordkeeping staff is provided scheduled time to devote to required responsibilities relative to SAF administration.

2020.06: Principal Sponsored Activities (PSA) Account Deficit

The Principal Sponsored Activities (PSA) fund accounts deficits totaled **(\$5,100.12)** as of the last audit (September 30, 2014). The former principal decreased the deficit to (\$1,355.80) as of June 30, 2016. The deficit increased to **(\$2,173.07)** as of May 31, 2019 under the current principal's leadership.

According to the APM Section 5.2.1, *Financial Reporting Requirements, Procedures*, "The principal as the fiduciary agent for SAF, should ensure all accounts are solvent at all times."

The deficit in the PSA fund was inherited by the former principal. *(This condition was also noted in the previous audit as of September 30, 2014.)* Students are not receiving maximum benefit from funds that should be available to them.

Recommendation: The principal should consider increasing the number of school wide fundraisers and encouraging staff use of the vending machine to generate income to reduce the deficit in the PSA account. Disbursements from this account must cease until the deficit is resolved.

2020.07: Record Retention

The following accounting records were not located and made available for review request:

- 10 SFEFs and supporting documentation
- 2 MTFs, supporting documentation and corresponding deposit slips
- 5 Cancelled Checks

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

The APM section 6.12 *Record Retention* states that 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.

The recordkeeping staff did not provide an explanation for SAF documentation that was not always maintained in the records. (*This condition was also noted in the previous audit as of September 30, 2014.*) Assurance that SAF transactions were conducted in accordance with BOE policies cannot be confirmed when financial records are not available for auditor review.

Recommendation: The recordkeeping staff and principal should periodically review SAF records to ensure all documentation is maintained in accordance with the record retention requirement.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Judge Sylvania Woods Elementary School was issued for the period ended September 30, 2014. During that period, the current recordkeeping staff was in her current position. The current principal began in September 2016. There were 9 findings reported previously and 4 are repeated in this audit report. The following findings were noted as a result of that audit and the current status is indicated below.

- **Mismanagement of Funds Received** - Condition still exists. See **2020.01** regarding *Mismanagement of Funds Received*.
- **Unrestricted Access to Blank Check Stock** – Controls appear to be working.
- **Mismanagement of Disbursements**- Condition still exists. See **2020.02** regarding *Mismanagement of Disbursements*.
- **Updated Vending Contract Not on File** – Controls appear to be working.
- **Principal Sponsored Activities (PSA) Account Deficit** – Condition still exists. See **2020.06** regarding *Principal Sponsored Activities (PSA) Account Deficit*.
- **Financial Reporting** – Condition still exists. See **2020.04** regarding *Financial Reporting*.
- **Grant Funds Within Student Activity Fund**– Controls appear to be working.
- **Student Lunches** – Controls appear to be working.

Judge Sylvania Woods Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended May 31, 2019

- **Segregation of Duties-** Controls appear to be working

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Judge Sylvania Woods Elementary School for their cooperation and assistance during the audit.