



December 4, 2019

MEMORANDUM

To: Kasandra Lassiter, Ed. D
Associate Director for Elementary Schools

Jessica Coley, Principal
Princeton Elementary School

From: Michele Winston, CPA, Director
Internal Audit

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

An audit was completed on the financial records of **Princeton Elementary School** for the period July 1, 2016 through August 31, 2019. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **January 3, 2020** 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, Attention: Derrick Martin , Auditor II, email address: derrick.martin@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org and Joeday Newsom, Esq, Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

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

Internal Audit Report

Princeton Elementary School
Student Activity Funds

For the Period Ended August 31, 2019

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Princeton Elementary School for the period July 1, 2016 through August 31, 2019. Princeton 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:

- *Drop Safe Not Acquired To Secure Funds Awaiting Deposit*
- *Delinquent Financial Reporting*
- *Financial Documents Not Retained*

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 deviation from the criteria described in the preceding paragraph, the APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended August 31, 2019.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit on the student activity funds for Princeton Elementary School for the period July 1, 2016 through August 31, 2019. The audit was conducted as part of the audit plan for the year.

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 to determine whether the school was in compliance with the policies and procedures of the Accounting Procedures Manual for School Activity Funds (APM) and the Board of Education (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 available bank statements, financial reports, cancelled checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through August 31, 2019. Also, selected available receipts, disbursements and supporting documentation were reviewed for the said period. (See 2020.03 *Financial Documents Not Retained*)

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2020.01 Drop Safe Not Acquired To Secure Funds Awaiting Deposit

The school did not acquire and install a drop safe at its premises to facilitate remitting funds collected by staff members.

According to the APM Section 4.5.2.2, depository (drop) safes are required for every school. The safe should be bolted to the floor and placed in a location accessible to staff which will facilitate remitting funds, even if the bookkeeper is unavailable.

The previous administration did not take steps necessary to purchase a safe.

Internal controls are compromised when items of value are not placed in a safe where access is restricted. There is the risk of theft when funds collected in the absence of the recordkeeping staff are not placed in a secured safe.

Recommendation: The principal must immediately acquire and install a drop safe to properly safeguard its financial resources. The drop safe should be placed in a non-visible location, but accessible to staff to facilitate prompt remittance of funds when the recordkeeping staff is not available. The principal and recordkeeping staff should ensure a log is maintained for the drop safe for recording the details of the funds remitted (i.e. staff name, date, MTF number, amount and staff signature) in accordance with the APM. The drop safe contents must be checked daily to ensure funds are retrieved and deposited timely.

2020.02 Delinquent Financial Reporting

There were **13** instances where monthly bank reconciliations were not completed timely by the recordkeeping staff. The reconciliations were between **1** and **61** days delinquent.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward to the bookkeeper. The bank account must be reconciled within 7 days from receipt of the bank statement.

Also, Section 5.2.1, *Financial Reporting Requirements Procedures* require that, the principal should receive the report package from the bookkeeper by the 15th of each month.

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The school did not have a recordkeeping staff for part of the audit period. As a result, the SAF administrator completed bank reconciliations late due to time constraints. In other instances, Internal Audit was unable to determine the cause for reporting delinquencies because the previous recordkeeping staff was no longer on staff.

Delinquent reporting impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted.

Recommendation: The recordkeeping staff should ensure that the bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. The principal should hold the recordkeeping staff accountable for timely report submission and perform a thorough review of the monthly financial reports as evidenced by the signature.

2020.03 Financial Documents Not Retained

The school could not locate FY 2019 financial documentation including all original MTFs and accompanying supporting documentation. Also, certain documentation to support disbursements could not be provided for review. The missing disbursements supporting documents for 3 transactions for FY 2019, 10 cancelled checks for FY 2017 and 4 checks voided during the audit period.

All SAF records are required to 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, School Funds Expenditure Forms, cancelled checks and contracts.

The school's previous recordkeeping staff retired before the end of the last school year and the principal was also transferred to another school in the district. Reportedly, the documents were all in a closet but the contents of the closet were moved before the recordkeeping staff's tenure started at the school.

The school's records were not complete and several documents requested to conduct the audit were not available. Non-retention of financial records increases the risk of fraud and prohibits Internal Audit from verifying the accuracy of transactions.

Recommendation: The current principal should exercise oversight responsibility by ensuring that an area is designated for the security of financial records so that the safe storage of financial records is not compromised.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Princeton Elementary School was issued for the period ended September 2014. During that period, the principal and recordkeeping staff were not in their current position. There were **4** reported findings in the previous audit, and none are repeated in the current report which contains **3** findings. The following findings were noted as a result of that audit and the current status is indicated below.

- **Mismanagement of Disbursements.** Condition was not noted during this audit.
- **Mismanagement of Funds Received.** Condition was not noted during this audit.
- **Current Vending Contract not on file.** Condition was not noted during this audit.
- **Fundraiser Forms.** Condition was not noted during this audit.

ACKNOWLEDGEMENT

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



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APPENDIX

Pertinent Personnel:

- Principal: Jessica Coley
- Recordkeeping Staff: Kim Cox