



February 26, 2018

MEMORANDUM

To: Susan Holiday, Instructional Director
Cluster 9

Brandi Stinson
Principal, Flintstone Elementary School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period July 1, 2014 through November 30, 2017

An audit of the financial records of **Flintstone Elementary School** was completed for the period July 1, 2014 through November 30, 2017. The audit results indicate 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 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 within thirty **30** days, 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: Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer, and other parties specifically stated in this transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

Enclosure

cc: Segun Eubanks, Ed. D., Chair, Board of Education
Kevin M. Maxwell, Ph. D, Chief Executive Officer of Schools
Monique Whittington-Davis, Ed. D., Deputy Superintendent
Carolyn Boston, Vice Chair, Board of Education
Edward Burroughs III, Board Member, District 8
Helen Coley, Ed. D., Associate Superintendent, Area II
Erica Berry Wilson, Esq., Executive Director, Board of Education
John Pfister, Chief Financial Officer
J. Michael Dougherty, CPA, Esq., Director, Financial Services
Patrick Pope, Internal Auditor II

Internal Audit Report

Flintstone Elementary School Student Activity Funds

For the Period Ended November 30, 2017

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Flintstone Elementary School for the period July 1, 2014 through November 30, 2017. Flintstone 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, and*
- *Fundraiser Forms*

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 (APM) for School Activity Funds.

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 November 30, 2017.



Michele Winston, CPA,
Director Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) of Flintstone Elementary School for the period July 1, 2014 through November 30, 2017. 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.

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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 and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2014 through November 30, 2017. Also, 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:

2018.01 Mismanagement of Funds Received

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

- A. ***Delinquent Deposits*** - There were 3 instances where funds were not deposited in a timely manner. The delinquency ranged from 1 to 5 days.
- B. ***Changes to Monetary Transmittal Forms Not Initialed*** - There were 4 instances where changes were made to MTFs that were not properly initialed.
- C. ***Invalid Accounts*** – There were 3 instances where invalid accounts were listed in section 1 of MTFs.
- D. ***Incomplete Monetary Transmittal Form Log*** – The MTF log did not have a column to indicate the total amount of funds documented on MTFs.

The APM provides the following guideline relative to the administration of collection:

- A. Deposits of all funds collected 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, they must be kept in a secure location.
- B. MTFs should not be accepted if a pencil or white-out is used, changes are not initialed, funds are not exactly as indicated in Section 1; or Section 2 is not completed or an appropriate list is not attached.
- C. A MTF log is required to be maintained to monitor all MTFs and must include the following fields: a numerical list of the MTFs, the name of individuals to whom MTFs were issued and dates the forms were issued, the date of return and the total amount of the MTF.

The previous recordkeeping staff did follow standard procedures stated in the APM or the instructions stated at the top of the MTF.

Mismanagement of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Untimely deposits increase the risk of lost or stolen funds. Also, not writing the appropriate account in Section 1 of the MTF can

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result in posting errors. The absence of a properly completed MTF log eliminates information to support an adequate audit trail.

Recommendation: The principal must ensure that procedures in the APM and instructions on the MTF are followed when administering funds received. The principal should ensure the current recordkeeping staff is adequately trained to appropriately process the collection of funds and maintain adequate audit trail.

2018.02 Mismanagement of Disbursements

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

- A. ***Inadequate Support*** - There were **2** instances where sufficient supporting documentation was not attached to School Funds Expenditure Forms (SFEF).
- B. ***Inadequate Principal Approval*** - There were **3** instances where SFEFs were not adequately approved by the principal. The principal approval was dated after the expenditure or the invoice date.
- C. ***Late Vendor Payments*** – There were 3 instances where payments were not remitted to the vendor in a timely manner. The number of days the payments were late ranged from **10** to **19** days.

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

- A. All checks are required to have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documentation are cash register receipts, invoices, bills of sale, etc.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. A determination as to whether funds are available in the respective fund account is required on SFEFs.
- C. Invoices are required to be paid within 30 days of receipt. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

The previous financial reporting staff did not attach adequate support to the SFEF. Staff purchased and/or ordered items without first obtaining the principal's approval. Internal controls were not implemented to ensure that vendor payments were processed in a timely manner.

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Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and the staff. Inadequate documentation reduces assurance that purchases were made in accordance with BOE policies and procedures. Untimely payment of invoices can result in use of SAF without benefit to students when late fees are assessed.

Recommendation: The principal must ensure the following to improve administration of disbursements:

- A. SFEFs are adequately supported by vendor invoices, contracts or store receipts.
- B. The current internal controls are improved to include staff training, to ensure written pre-approval precedes purchases.
- C. Disbursement files are routinely reviewed to identify invoices as they become due and vendor payments are processed timely.

2018.03 Administration of Checks

The audit revealed 3 instances where voided checks did not have the principal's review and acknowledgement evidenced on signed SFEFs or Void Check Proof Sheets. Also, there was one instance where a voided check was not entered into the accounting system.

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. A SFEF or a Void Check Proof Sheet should also be completed and approved by the principal, noting the check was voided.

The previous recordkeeping staff did not follow the APM requirement for voiding checks. The ineffective process for voiding checks constitutes non-compliance with BOE policies and procedures. Lack of approval and documentation of voided checks increases the risk of check fraud.

Recommendation: The principal must implement procedures to ensure proper administration of voided checks. Voided checks should be substantiated by completed SFEFs or Void Check Proof Sheets signed by the principal and entered into the accounting system. The principal should complete periodic review of voided checks to ensure compliance with BOE policies and procedures.

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2018.04 Financial Reporting

During the review of the internal controls over the reporting process and the school's compliance with the reporting requirements for the audit period, the audit revealed that there were 6 instances where monthly financial reports were not completed timely.

The APM Section 5.2, *Financial Reporting Requirements*, requires that the principal receive monthly financial reporting packages by the 15th of the subsequent month. The principal should sign and date the checklist of the reports package which includes:

- Original Bank Statement(s),
- SFO Bank Reconciliation Report,
- Available Funds Report,
- Year to Date Report,
- Journal Entry Register, and
- Insolvent Report.

The former recordkeeping staff did not complete monthly financial reports by the 15th of the following month. At the time of the audit, the former recordkeeping staff was no longer employed by the school, so Internal Audit was unable to determine the reason(s) for not following BOE policies and procedures.

Delinquent and inaccurate reporting impacts the timeliness of information used in the decision-making process. The principal's ability to promptly verify the school's solvency status may also be impacted.

Recommendation: The principal must establish financial reporting controls to support timely report submission and ensure that the monthly financial reports are thoroughly reviewed and intact as evidenced by a signature.

2018.05 Fundraiser Forms

The fundraiser sponsors failed to complete the required forms and the principal failed to ensure that the annual report summarizing the fundraising activities held during the audit period was prepared.

AP 5135.1 *Fund Raising* provides specific guidance concerning fundraising. First, the fundraiser must be formally approved by the principal using a Fundraiser Request and Authorization Form where the purpose must be designated and communicated for each fundraiser.

Finally, the APM Section 7.2.2 *Procedures*, states that at the conclusion of an event, a Fundraiser Completion Report must be prepared by the sponsor, reviewed and

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acknowledged by the principal. Additionally, an annual report summarizing all fundraising activities concluded during the year is also required.

The administrator in charge of ensuring staff were compliant with the completion of fundraiser forms did not successfully provide oversight for this process.

Financial records are not complete and profit/loss ratio of fundraisers conducted cannot be determined when fundraising forms are not prepared.

Recommendation: The principal must establish procedures to ensure that the administrator with fundraiser oversight responsibilities is obtaining Fundraiser Request and Authorization forms, Fundraiser Completion Reports and an annual report of the results of fundraising activities held during the school year. Required reports must be maintained on file for public and auditor review. Staff should be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Flintstone Elementary School was issued for the period ended June 30, 2012. During that period, the current bookkeeper was not in her position. The current principal was in place at the time of the previous audit. There were 9 findings reported in the previous audit and 2 were repeated in this report. There were also 3 new findings that were not present during the previous audit period. The following findings were noted as a result of that audit and the current status is indicated below:

- **Mismanagement of Receipts** – Condition still exists. See 2018.01 regarding *Mismanagement of Funds Received*.
- **Safeguarding/Accessibility of Assets** – Controls appear to be working.
- **Sales Tax Not Collected and Posted for All Items Sold** – Controls appear to be working.
- **Payment for Services Rendered from Student Activity Funds** – Controls appear to be working.
- **Management of Disbursements** – Condition still exist. See 2018.02 regarding *Management of Disbursements*.
- **Inadequate Check Writing Procedures** – Controls appear to be working.
- **Transactions Posted to Incorrect Accounts** – Controls appear to be working.
- **Sales Tax Paid on School Purchases** - Controls appear to be working.
- **Contracts Entered by Staff** - Controls appear to be working.

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ACKNOWLEDGEMENT

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