



August 31, 2018

MEMORANDUM

To: Charoscar Coleman, Ed. D
Instructional Director, Cluster 10

William Henderson, Principal
Croom High School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period April 1, 2016 to May 31, 2018

An audit was completed on the financial records of **Croom High School** for the period April 1, 2016 to May 31, 2018. The audit results indicate that the school's internal controls have improved, but require further improvement to reach full compliance with Board 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 School Accounting Manual. Send your signed action plan to the Internal Audit Office, Sasscer Administration Building. 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 at internal.audit@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: Deborah.smalls@pgcps.org.

We would like to thank the principal and staff of **Croom High School** for their assistance and cooperation during the audit process.

Enclosure

cc: Segun Eubanks, Ed. D., Board Chair
Monica Goldson, Ed. D, Interim Chief Executive Officer
Carolyn Boston, Vice Chair, Board of Education
Members, Board of Education
Christian Rhodes, Chief of Staff
Carletta Marrow, Ed. D, Associate Superintendent, High Schools
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Erica Berry Wilson, Esq., Executive Director, Board of Education
Daniel Reagan, Internal Auditor II

Internal Audit Report

Croom High School Student Activity Funds

For the Period Ended May 31, 2018

Croom High School
Student Activity Funds
Internal Audit Report
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Croom High School for the period April 1, 2016 to May 31, 2018. Croom High 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:

- *Missing Monetary Transmittal Forms;*
- *Senior Class Planning and Budget Workbooks Not Used for FY 2018; and*
- *Scholarship Funds Not Paid*

Individually or in 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 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, 2018.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Croom High School for the period April 1, 2016 through May 31, 2018. The audit was performed as part of the annual audit plan.

The audit indicated that the school's financial records and procedures are effectively managed but require improvement in certain areas to be in full compliance 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, available cancelled checks all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period April 1, 2016 to May 31, 2018. 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:

2019.01 Missing Monetary Transmittal Forms

There were 2 Monetary Transmittal Forms (MTFs) that could not be located, and were not recorded in School Funds Online (SFO).

The SAF APM, Section 4.5.2, *Cash Receipts* states that the bookkeeper is responsible for accounting for all MTFs issued to schools. An MTF log is required to be maintained by the bookkeeper to include a numerical list of the MTFs, the name of the individuals and dates the forms were issued, the date returned, and the total amount on the MTF. If someone makes a mistake on a MTF or it is unusable for any reason, the form should be marked "Void" and be retained by the bookkeeper. These forms should never be discarded or destroyed. SFO provides an opportunity to account for voided MTFs.

The financial recordkeeping staff has set up a MTF log at the school, but the log does not include a field to record the dates the MTFs are returned to the front office. Without this information, the financial recordkeeping staff could not effectively track all MTFs.

The financial recordkeeping staff believes the 2 missing MTFs were likely lost by a staff member, but there is no record in either the MTF log or SFO to confirm. The financial recordkeeping staff was unaware that lost MTFs needed to be voided in SFO.

Lost MTFs represent a significant fraud risk to the school, as funds may have been collected but not remitted and deposited.

Recommendation: The financial recordkeeping staff must incorporate all required fields into the MTF log. The log should be periodically reviewed to ensure all MTFs are promptly returned, with collected funds remitted. Lost or voided MTFs should be noted in the MTF log and in SFO.

2019.02 Senior Class Planning and Budget Workbook Not Used for FY 2018

Croom High School serves students in the eleventh and twelfth grade. Therefore, class funds are only collected for seniors. During FY 2017 and FY 2018, dues and fundraising revenues were collected to pay for activities such as prom and graduation. However, Senior Class Planning and Budget Workbooks were not developed prior to FY 2018 to ensure dues were fair and adequate to cover all expenses.

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The APM, Section 7.3, *Class and Club Accounts*, states that a copy of annual budgets must be provided to the school's bookkeeper and that the Senior Class Planning and Budget Workbook must be submitted to Accounting and Financial Reporting annually.

The principal and financial recordkeeping staff were made aware of the requirements for a senior class budget during the previous audit in 2016. However, a process was not established for senior class sponsors to meet with the principal and financial recordkeeping staff prior to the school year to effectively plan for the senior class financial activities. A Senior Class Planning and Budget Workbook was completed after all activities were completed for FY 2018.

Failure to develop senior class budgets constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The lack of effective senior class fund planning can lead to insolvency and inability to pay for expenses. It can also lead to excessive collections from students.

Recommendation: The principal and financial recordkeeping staff should develop and document procedures for senior class sponsors, to include the consistent use of the Senior Class Planning and Budget Workbook prior to the beginning of the school year. The Senior Class Planning and Budget Workbook should be periodically reviewed and updated throughout the school year.

2019.03 Scholarship Funds Not Paid

The school collected \$350.00 in donations from staff and students in June 2016 to create a memorial scholarship fund. The scholarship was intended to be provided to refund graduating students for college books purchased. However, the funds have not been provided to any students as of the audit date.

The APM, Section 4.3, *Fund Accounts* states that Restricted Funds are funds that are raised by a specific group and/or for a specific purpose and are used exclusively for that group. The stated purpose for the collection of \$350.00 in June 2016 was for college books to be reimbursed in the fall of 2016.

The principal and financial recordkeeping staff were not aware of the scholarship balance from 2016. From their recollection, students were identified to be reimbursed, but they did not follow back up with the school after purchasing their books. However, records could not be located to identify those students. The remaining balance of **350.00** in the scholarship account represents funds solicited from staff and students that were not used for their intended purpose.

Recommendation: The principal and financial recordkeeping staff should investigate the intended recipients of the scholarship, and provide funds to them, if applicable.

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Otherwise, new recipients should be identified, and funds should be disbursed as appropriate.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Croom High School** was issued for the period ended March 31, 2016. The principal and bookkeeper have been in their current position for the entire audit period. The following findings were noted as a result of that audit and the current status is indicated below.

- **Mismanagement of Senior Class Funds** – Condition still partially exists. **See Finding 2019.03** regarding *Senior Class Planning and Budget Workbook Not Used*.
- **Insecure Location for Money Awaiting Deposit** – Controls appear to be working.
- **Disbursements Not Properly Pre-Approved** – Controls appear to be working.

ACKNOWLEDGEMENT

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