



September 17, 2018

MEMORANDUM

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

Massa Washington, Principal
Lamont Elementary School

From: **Michele Winston**, CPA,
Director, Internal Audit

Re: Financial Audit for August 1, 2014 through June 30, 2018

An audit of the financial records of **Lamont Elementary School** was conducted for the period August 1, 2014 through June 30, 2018. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures 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 the principal of the school, you will be responsible for preparing an action plan within **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.

Enc.

cc:

Segun Eubanks, Ed. D., Board Chair

Monica Goldson, Ed. D., Interim Chief Executive Officer

Carolyn Boston, Board Vice Chair, Board of Education

Members, Board of Education

Helen Coley, Chief, School Support and Leadership

Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools

Christian Rhodes, Chief of Staff

Erica Berry Wilson, Esq., Executive Director, Board of Education

J. Michael Dougherty, CPA, Esq., Director, Financial Services

Derrick Martin, Internal Auditor II

Internal Audit Report

Lamont Elementary School Student Activity Funds

For the Period Ended June 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Lamont Elementary School for the period July 1, 2014 to June 30, 2018. Lamont 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:

- *Mismanagement of Disbursements*
- *Missing End of Year Monetary Transmittal Forms*
- *Drop Safe Not on School Premises*

Individually or in the aggregate, these findings resulted in 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 June 30, 2018.



Michele Winston, CPA
Director, Internal Audit

Lamont Elementary School
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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Lamont Elementary School for the period July 1, 2014 through June 30, 2018.

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 Accounting Procedures Manual (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 selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2014 to June 30, 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: Mismanagement of Disbursements

The following exceptions were noted regarding administration of funds disbursed by Lamont Elementary School:

- A. ***Incomplete School Funds Expenditure Forms*** - There were **13** instances where the “Funds Available” line in the “Request and Pre-Approval” section on the School Expenditures Form (SFEF) was not properly completed.
- B. ***Inappropriate Approval of Expenditures*** - There were **2** instances where the principal approved her own expenditure.

The School Accounting Manual provides the following guidelines regarding the administration of cash disbursements:

- A. The APM, Section 4.5.3, *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be entirely completed and signed by the principal.
- B. The APM Section 4.2.2, *Bank Account Procedures* states that there must be at least three authorized signers on the checking account (principal, recordkeeping staff, and another administrator). The principal and recordkeeping staff should be the primary signers on the account. The third should be an administrator (i.e., a vice-principal, teacher in charge or wing coordinator) who signs checks in one of the signatories’ absence.

The recordkeeping staff was unfamiliar with what constitutes proper completion of the “Funds Available” field on the SFEF. Reportedly, the vice-principal and third check signer left the school at the end of the FY2017. Therefore the school did not have a third check signer to authorize the principal’s reimbursement requests for the entire 2018 school year. According to the principal, she was not aware that a lead teacher could assume the duties of a check signer.

Inappropriately completed SFEFs puts the school at risk of insolvency. When the “Funds Available” line is left blank the principal is not made unaware of the amount of funds available for expenditure in the respective fund accounts. Also when purchases are not properly approved by a counter signatory, it compromises internal controls over expenditures.

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Recommendation: The principal and recordkeeping staff should ensure SFEFs are entirely completed prior to approval. The recordkeeping staff should ensure that the “Funds Available” line on the SFEF is properly completed prior to forwarding the form to the principal. The principal should add an alternate check signer to the school’s checking account as required by the APM.

2019.02 Missing End of Year Monetary Transmittal Forms

The recordkeeping staff was unable to locate 9 End of Year MTF remittances for FY 2017 requested for the audit.

The APM requires accounting records to be open and available to the auditors upon request. The BOE’s record retention policy is 7 years or until the documents have been audited.

Reportedly, the FY 2017 end of year MTF records was misplaced by the previous vice principal. The principal contacted the previous vice principal via email and was directed where to locate the files; however, all attempts at locating the files were unsuccessful.

Failure to make financial records available for audit constitutes noncompliance with Board policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal must ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Staff should be held accountable for compliance.

2019.03 Drop Safe Not on School Premises

The audit revealed that the school has not obtained a drop-safe for securing SAF awaiting deposit. Staff members cannot securely remit collected funds when the recordkeeping staff is unavailable.

According to the APM, Section 4.5.2.2, *Guidelines for Bank Deposits*, depository (drop) safes are required for every school where only the principal and recordkeeping staff can access the contents. The safe should be bolted to the floor and in a location accessible to staff which will facilitate remitting funds when the recordkeeping staff is unavailable. A log should be maintained where staff members record their name and the date of the “drop.”

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The principal and recordkeeping staff were unaware of the specific requirements regarding depository drop safes.

Internal controls regarding the collection of funds was compromised which increased the potential for loss of assets. The recordkeeping staff and other staff members were unable to adhere to BOE policies and procedures as established in the APM.

Recommendation: The principal and recordkeeping staff should familiarize themselves with the requirements for securing cash on hand. A drop safe should be immediately purchased to ensure compliance with the APM. The principal should ensure that a log is effectively maintained to record the date, time, remitter and the amount of funds dropped into the safe.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Lamont Elementary School was issued for the period ended August 31, 2013. During that period, the principal held her current position. The recordkeeping staff's tenure began in July, 2018. The previous audit report had 3 reportable conditions, of which 1 is repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Untimely Deposits** – Controls appear to be working.
- **Lack of Signed Vending Machine Contract** – Controls appear to be working.
- **Year End Monetary Transmittal Forms (MTF) Procedures Not Properly Followed** – Condition still exists. **See Finding 2019.02** regarding *Missing End of Year Monetary Transmittal Forms*.

ACKNOWLEDGEMENT

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