



February 4, 2019

**MEMORANDUM**

To: Kia Myrick McDaniel, Coordinating Supervisor  
Academic Programs – Specialty Programs

Sylvester Conyers, Ed. D, Program Supervisor  
William Schmidt Outdoor Education Center

From: Michele Winston, CPA Director  
Internal Audit

Re: Financial Audit for Period July 1, 2015 to October 31, 2018

An audit of the financial records of **William Schmidt Outdoor Education Center** was completed for the period July 1, 2015 to October 31, 2018. The audit results indicate that the school's financial records and procedures require some 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 program supervisor, you will be responsible for preparing an action plan by **March 4, 2019**, 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](mailto: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](mailto:deborah.smalls@pgcps.org).

cc: Alvin Thornton, Ph. D, Board Chair  
Monica Goldson, Ed. D, Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
J. Michael Dougherty, Director Financial Services  
Judith White, Ed. D, Director, Academic Programs  
Kara Miley-Libby Ed. D, Chief Academic Officer  
Patrick Pope, Internal Auditor II

# Internal Audit Report

William Schmidt Outdoor Education Center  
Student Activity Funds

For the Period Ended October 31, 2018

William Schmidt Outdoor Education Center  
Student Activity Funds  
Internal Audit Report  
For the Period Ended October 31, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of the William Schmidt Outdoor Education Center for the period July 1, 2015 through October 31, 2018. William Schmidt Outdoor Education Center's program supervisor 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, and*
- *Inappropriate Completion of School Funds Expenditure 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 October 31, 2018.



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 William Schmidt Outdoor Education Center for the period July 1, 2015 through October 31, 2018. 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 and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2015 through October 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: Mismanagement of Funds Received**

The following exceptions pertaining to the management of funds received were identified:

- ***Delinquent Deposits*** - There were **16** instances where funds collected were not deposited in a timely manner. The delinquency ranged from 1 to 5 days.
- ***Changes to Monetary Transmittal Forms*** – There were **6** instances where MTF changes were not completed as instructed on top of the form.

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

- Recordkeeping staff must make deposits of all funds received 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.
- Recordkeeping staff will not accept this form (MTF) 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.

The program supervisor has established the practice of having the secretary make deposits with the bank only on Fridays due to remote location of the center. Also, the secretary is the only staff member responsible for daily office duties. There is no explanation for the failure to initial changes on the MTF.

Mismanagement of collections constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Storing funds in the school longer than required increases the risk of fraud, theft or mismanagement of funds.

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

- The program supervisor should consider increasing the number of bank deposits to twice a week if feasible.

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- The recordkeeping staff should ensure that all changes on MTFs are initialed prior to acceptance.

**2019.02: Inappropriate Completion of School Funds Expenditure Forms**

There were 6 instances where the recordkeeping staff did not properly complete the funds available line on the School Fund Expenditure Form (SFEF). The word “yes” was entered instead of the current balance of the account.

According to the APM, prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The recordkeeping staff determines the amount of funds available, initials, dates and records the amount on the SFEF.

The recordkeeping staff was unaware that the dollar amount had to be entered on the available line of the SFEF. It was misunderstood that the SFEF was correctly completed by entering the word “yes” on the available funds line. The updated SFEF is more specific regarding this issue, which should erase any doubt of how to properly complete the SFEF.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the center and the staff. The program supervisor risks insolvency of the SAF if required procedures are not followed.

**Recommendation:** The recordkeeping staff should include the account balance from SFO in the funds available field, and the supervisor should ensure the available funds line is appropriately completed prior to approval of the SFEF.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for William Schmidt Outdoor Education Center was issued for the period ended June 30, 2011. The current program supervisor and recordkeeping staff were in their current positions during the previous audit. There were 5 findings reported in the previous audit and 1 is repeated in this report. There was also 1 new finding that was 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:

- **Delinquent Deposits** – Condition still exists. See 2019.01. *Mismanagement of Funds Received*
- **Payments to Individuals/Unincorporated Businesses for Services Rendered/Unauthorized Vendors** – Controls appear to be working.

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- **Year-End Monetary Transmittal Form Envelopes** – Controls appear to be working.
- **Expenditures Made Without Proper Approval** – Controls appear to be working.
- **Segregation of Duties** - Controls appear to be working.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of William Schmidt Outdoor Education Center for their cooperation and assistance during the audit.