



June 26, 2023

MEMORANDUM

To: LaTonya Williams, Instructional Director
Cluster 2

Melreta Mai Herring, Principal
Ardmore Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period September 1, 2016 through February 28, 2023

An audit of the financial records of **Ardmore Elementary School** was completed for the period September 1, 2016 through February 28, 2023. 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 **July 26, 2023** 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, email address internal.audit@pgcps.org. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org, Roderick Adams, Compliance Procedures Administrator, email address: Roderick.adams@pgcps.org and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Judy Mickens Murray, Board Chair
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Kassandra Lassiter, Ed. D. Associate Superintendent, Area 1
Lisa Howell, Chief Financial Officer
James Dougherty, Director, Financial Services
Roderick Adams, Administrator, Compliance and Ethics
Robin Welsh, Director, Office of Government Relations, Compliance and Procedures
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Ardmore Elementary School for the period September 1, 2016 through February 28, 2023. Ardmore 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 Generally Accepted Government Auditing Standards 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, and*
- *Restricted Fund Account Deficits*

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 February 28, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Ardmore Elementary School for the period September 1, 2016 through February 28, 2023. The audit was conducted as part of the department's 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.

This audit report includes **2** findings which occurred under the leadership of the former and current principals. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. 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 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period September 1, 2016 through February 28, 2023. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

2023.01: Mismanagement of Disbursements

The following exceptions were identified:

- A. ***Inadequate Support and Approval*** – There were **2** instances where checks processed were not adequately supported and approved.
- a. Check # 5250 was issued in the amount of \$1,602.00. The School Funds Expenditure Form (SFEF) to substantiate the payment was not entirely completed and there was no evidence of the principal’s approval appended to the SFEF. Also, the cancelled check was not available for review.
- b. Check # 5252 was issued in the amount of \$7,229.42 for remitting the balance in the Before and After Care Program account to the BOE. The SFEF and cancelled check to document the expenditure was not available for review.
- B. ***Administration of Voided Checks*** – There were **4** instances where voided checks were not available for review. In addition **3** voided checks were not entered in the accounting system.
- C. ***Missing Cancelled Checks*** – There were **11** instances where cancelled checks were not available for review.

APM Section 4.5.3, Cash Disbursements, A School Funds Expenditure Form must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.

APM Section 6.12, Record Retention, requires all SAF records to be retained for a period of seven (7) years and or until audited including the current fiscal year. Voided checks must be defaced, but filed in check number order with cancelled check images.

APM Section 4.5.3 Cash Disbursements, Procedures, Check Writing states that all checks should be printed from SFO.

- According to the principal, the Accounting and Financial Reporting Office (AFRO) notified schools via an email that funds in the Before and After Care account were to be forwarded to the BOE upon closing on the Board’s Before and After Care Program. The email was received as a directive and considered adequate support by recordkeeping staff who processed check #5252 without the preparation of a SFEF.

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- The recordkeeping staff was not aware that damaged checks that were subsequently voided were required to be posted in SFO at the beginning of her tenure.
- The school’s financial records were not kept in an organized manner resulting in some documents not being available for review.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Incomplete documentation or missing documentation of disbursements will result in faulty financial reporting upon which administrators rely to make informed financial decisions and reduces the assurance that transactions are accurately recorded. Missing documentation hinders effective review of financial transactions.

Recommendations: The following steps must be taken to improve management of disbursements:

- A. The principal must review the financial records at least monthly to ensure records are complete and accurate. Documents such as cancelled checks must be filed in check order number and the required fields of SFEFs must be completed as required.
- B. An adequate records management system must be implemented that ensures maintenance of all financial records in an organized manner. Specifically, voided and cancelled checks must be maintained for the required 7 years or until the audit.

2023.02 Restricted Fund Account Deficits

There were 4 instances of excessive spending in restricted fund accounts that resulted in total deficit of (\$3,369.15) as of 2/28/23.

| Account number | Account Name | Amount |
|-----------------------|-----------------------|----------------------|
| 308.00 | Employee Sunshine | (\$ 2,099.53) |
| 309.00 | Step Team | (\$ 28.37) |
| 450.20 | PSA Food | (\$ 1,204.40) |
| 460.00 | Sales Tax | (\$ 36.85) |
| | Total Deficits | (\$ 3,369.15) |

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According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted expenditures exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are solvent at all times.

According to the principal, the Employee Sunshine and Step Team fund accounts were overspent during the past Administration and the current administration is reluctant to pay off the deficit from current budget. PSA Food has since been resolved. The deficit in the sales tax account occurred as a result of a posting error which was not corrected as of February 28, 2023.

The risk of insolvency increases when spending of restricted funds exceed the availability of funds in the restricted fund accounts.

Recommendations: The following steps should be taken to resolve the deficits in the noted restricted fund accounts:

- A. The principal should ensure the funds are transferred to the affected account (Sales tax) in a timely manner.
- B. All expenditures from these accounts must cease until the deficits are eliminated.
- C. The principal and recordkeeping staff must request assistance from the Accounting and Financial Reporting Office to obtain guidance on eliminating the deficits.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Ardmore Elementary School was issued for the period ended August 31, 2016. During that period, neither the principal nor the recordkeeping staff was in the current positions. A total of 6 findings were noted during that audit and 2 are repeated in this audit as indicated below.

- **Mismanagement of Funds Received** – Exception was not noted during this audit.
- **Deficit in the Employee Sunshine Fund** - Condition still exists. **See Finding 2023.02** regarding *Restricted Fund Account Deficits*.
- **Drop Safe not on Premises** - Exception was not noted during this audit.
- **Inadequate Approval of Disbursements** – Condition still exists. **See Finding 2023.01** regarding *Mismanagement of Disbursements*.
- **Administration of Checks** – Exception was not noted during this audit.

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- **Management Oversight** – Exception was not noted during this audit.

ACKNOWLEDGEMENT

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

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| | | | | Mrs. Blackwell is registered for training with Mr. Clarence Houze / (T3 during the summer. <ul style="list-style-type: none"> • Financial Applications • iProcurement • Time and Labor - Payroll | | |
| 2. | <u>2023.02</u> <u>Restricted Fund</u> <u>Account Deficits</u> | The following steps should be taken to resolve the deficits in the noted restricted fund accounts: A. The principal should ensure the funds are transferred to the affected account (Sales tax) in a timely manner. B. All expenditures from these accounts must cease until the deficits are eliminated. C. The principal and recordkeeping staff must request assistance from the Accounting and Financial Reporting Office to obtain guidance on eliminating the deficits. | Concur Concur Concur | The Principal and Assistant Principal will review financial records bi-monthly to ensure accuracy. This action has been corrected. The deficits were created and managed by the formal Principal. The Principal will keep guidance on eliminating the deficits. | March 2023 June 2023 June 2023 | Implemented Implemented Partially Implemented |

Principal Signature



Date

July 5, 2023