



## Internal Audit Communication

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TO: Michelle Jahr, Executive Director of Finance

FROM: Roman Gray, Internal Auditor

cc: Nicole Thorn, Chief Finance Officer  
Lori Hoadley, General Counsel

DATE: May 2, 2017

SUBJECT: Bank Transfers Audit

### INTRODUCTION

At the request of Michelle Jahr, Executive Director of Finance, an internal audit was performed of all transfers made from District-held bank accounts, to obtain assurance that transfer activity was appropriate. All transfers were traced and mapped between accounts, for review purposes. ACH transactions were also reviewed, as well as transactions in the Miscellaneous bank account in the Finance Department.

### SCOPE

Bank account records and statements were provided by the Finance Department for the requested audit period of July 1, 2016 – February 28, 2017. All bank and investment accounts were reviewed. School Activities account bank statements were not reviewed, although transfers to or from the activity accounts were traced to Finance department accounts where such transfers occurred.

### RESULTS

No fraudulent bank transfers were discovered during the audit. All transfers appear to be between approved accounts, and there were no unusual transfers or ACH transactions to external recipients. Transactions in the Miscellaneous bank account appear appropriate.

Although no fraudulent bank transfers were discovered, it was noted that the accounting practices of the former Executive Director of Finance were unusually disorderly, and transactions were carried out without proper documentation and without proper approval, leaving an inadequate audit trail. In one case, it was determined that restricted funds were transferred to cover payroll and accounts payable operating expenses; the correction of this error required a reimbursement of approximately \$4 million to the Life Safety Fund. Under the

direction of CFO Nicole Thorn, and new Executive Director of Finance Michelle Jahr, policies and procedures have been put in place to improve the District's accounting practices and mitigate the risk of further occurrence of these failures.

### OTHER RESULTS

Bi-weekly ACH transaction for distribution of payroll withholdings for child support: It was noted that this ACH withdrawal from the Operating account is occurring in duplicate each time it occurs, with an automatic bank adjustment being made to re-deposit the duplicated amount. The following is one such transaction, for illustration:

OPERATING ACCOUNT - ASSOCIATED BANK		
2/27/2017	Withdrawal	13250.91
2/27/2017	Withdrawal	13250.91
2/27/2017	Deposit	13250.91
	Net withdrawal	13250.91

While these transactions do not negatively impact the account, it is recommended that the situation be addressed and corrected.