



December 18, 2019

MEMORANDUM

To: Denise Greene, Ed. D, Instructional Director
Cluster 5

Anna Addis, Ph. D, Principal
Cesar Chavez Dual Spanish Immersion School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period December 1, 2015 through September 30, 2019

An audit was completed on the financial records of **Cesar Chavez Dual Spanish Immersion School** for the period December 1, 2015 through September 30, 2019. 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 January 31, 2020 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: Derrick Martin , Auditor, email address: derrick.martin@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org.

Enclosure

cc: Alvin Thornton, Ph. D, Chairman, Board of Education
Monica Goldson, Ed.D, Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D, Chief, School Support and Leadership
Kasandra Lassiter, Ed. D, Associate Superintendent for Elementary Schools
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Suzann King, Esq., Executive Director, Board of Education
Joeday Newsom, Esq., Ethics Compliance Officer
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Cesar Chavez Dual Spanish Immersion School for the period July 1, 2016 through September 30, 2019. Cesar Chavez Dual Spanish Immersion 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 Funds Received*
- *Excessive Spending in Restricted Accounts*
- *Inadequate Approval of Disbursements*
- *Improper Administration of Voided Checks*
- *Delinquent Financial Reporting, and*
- *Fundraiser 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 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 September 30, 2019.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit on the student activity funds for Cesar Chavez Dual Spanish Immersion School for the period July 1, 2016 through September 30, 2019. The audit was conducted as part of the audit plan for the year.

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 Accounting Procedures Manual for School Activity Funds 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through September 30, 2019. 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:

2020.01: Mismanagement of Funds Received

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

- A. ***Funds received left in the safe***- The school collected funds totaling **\$207.00** which was left in the safe for approximately 1 week without depositing the money in the bank.
- B. ***Drop Safe not Secured to the floor***- The school's drop safe has not been secured by bolting it to the floor.
- C. ***Delinquent Deposits***- There were **14** instances where funds received were held between **1 to 46** days before they were deposited.
- D. ***Inadequate Documentation of Deposits***- There were **2** instances where documentation was insufficient to substantiate the deposits. The amount of bookfair daily sales receipts were not obtained and added to the MTFs in these instances. .

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

- A. Section 4.5.2.2, *Cash Receipts, Procedures* states that, bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight. Staff members should never hold funds overnight.
- B. Section 4.5.2.2 of the APM states that, depository (drop) safes are required for every school. The safe should be bolted to the floor and in a location accessible to staff which will facilitate remitting funds, even if the Bookkeeper is unavailable.
- C. The bookkeeper is required to complete a bank deposit slip in duplicate, whether manually or in SFO, noting the amount of coins, currency and checks. All checks must be individually listed on the deposit slip with identifying information (e.g., last name and/or check number) to assist in tracing any item in the deposit that may be returned by the bank. The items listed on the deposit slip should be totaled on a calculator and the calculator tape saved as supporting documentation. Both the original and duplicate deposit slip should be taken to the bank to allow the

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duplicate to be validated. The validated copy is filed at the school with the MTF that supports the deposit.

- D. According to the APM, Section 4.5.2.2 (1) *Cash Receipts, Procedures*, the MTF must be completed entirely with the following information. 1) who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.

The following were the reasons the funds received procedures were not followed by the school:

- A. The recordkeeping staff was aware that, the funds were in the safe but failed to take the money to the bank.
- B. The school was not aware about where to seek help with installation of the safe.
- C. The recordkeeping staff failed to perform this function as required.
- D. The staff member who was in-charge of the bookfair was not aware that the bookfair receipts were required to substantiate the deposits.

The following were the effects of non-compliance with policies as it pertains to handling of funds receipts:

- A. The failure to deposit the funds is a risk of financial loss to the school.
- B. There is the risk of theft when the safe is not appropriately secured. This is not a particularly heavy safe and could be moved from its location.
- C. Delinquent deposits constitute non-compliance with BOE policies and procedures and increase risk of financial loss and fraud. Also, funds received are not immediately available for students' use when they are deposited late.
- D. Inadequate supporting documentation destroys the audit trail, results in the compromise of audit evidence and reduces the assurance that, receipts were recorded appropriately and in accordance with the prescribed collection policy.

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Recommendation: The principal and recordkeeping staff should perform the following to improve the administration of funds received:

- A. The recordkeeping staff must check the safe daily and deposit any funds that have been deposited in her absence.
- B. The school must generate a work order as soon as possible so that the safe can bolted to the ground to safeguard the school’s financial resources.
- C. The principal should hold the recordkeeping staff accountable for depositing the funds collected to conform to the dictates of the APM.
- D. Staff members must be reminded through documented communication that, adequate supporting documentation must accompany funds remitted to the recordkeeping staff. Such documentation must include daily bookfair receipts, ticket reports for funds collected at events and inventory report, when items for fundraisers are sold.

2020.02: Excessive Spending in Restricted Accounts

The following Restricted Accounts had deficits totaling (\$3,592.85) at the end of the audit period.

Account	Beg. Yr. Bal	Receipts	Disbursements	Ending Bal.
Water	(\$90.00)	\$0.00	\$0.00	(\$90.00)
5 th Grade Activities	(\$85.06)	\$0.00	\$0.00	(\$85.06)
Kindergarten Activities	(\$208.82)	\$0.00	\$0.00	(\$208.82)
Lego Team	(\$227.05)	\$0.00	\$0.00	(\$227.05)
School Spirit Jackets	(\$121.26)	\$0.00	\$0.00	(\$121.26)
Yearbook	(\$2,604.65)	\$0.00	\$0.00	(\$2,604.65)
PE Uniforms and Equip	(\$256.01)	\$0.00	\$0.00	(\$256.01)

Restricted Funds are raised by a specific group and/or for a specific purpose and intended exclusively for that group and/or purpose and not for general needs of the school. Hence, expenditures for restricted accounts are limited to the funds available in those accounts.

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When restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the Student Activity Funds (SAF), the principal should ensure all restricted accounts are solvent at all times.

The last 4 deficits occurred prior to the current administration's tenure as such, an explanation for those deficits could not be obtained. In the other instances, the current school administration did not review the respective fund accounts and SFEFs for availability of funds prior to the expenditures being made.

The students do not receive maximum benefit from funds that should be available to them when deficits are incurred. Also, the risk of overall financial insolvency increases when a school's restricted accounts are in deficit.

Recommendations: The principal and recordkeeping staff should consult with the Accounting and Financial Reporting Office about resolution of the restricted account deficits. There should be no further expenditures in these accounts until the deficits are resolved.

2020.03: Inadequate Approval of Disbursements

There were 4 instances where either the staff members did not obtain the principal's authorization prior to the purchase of items, the SFEF was not properly completed or the SFEF was not completed at all.

The APM Section 4.5.3.1, *Pre-Approval by the Principal* states that, prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be completed and signed by the principal. Schools and their Student Activity Funds 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.

The recordkeeping staff did not ensure that, the forms were appropriately completed and approved prior to presenting the check to the principal for signatures. The principal did not also follow the procedure as required.

Lack of proper approval or pre-approval can result in financial obligation to the school for goods and services for which funds may not be available to pay, lead to insolvency and increase the potential to the school of fraud, waste and abuse.

Recommendation: The staff members must be reminded through written communication that, the principal's preapproval must be obtained prior to obligating the school financially. Also, the recordkeeping staff must ensure that, SFEFs are completed at all

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times prior to forwarding the check to the principal for signatures. Staff members must be held accountable for completing the School Funds Expenditure Forms.

2020.04: Administration of Voided Checks

There were **4** instances where the signature portion of the voided checks were not removed and destroyed.

The Accounting Procedures Manual (APM) Section 4.5.3.2, *Summary of Check Disbursement Procedures*, states that voided checks must be defaced, and filed in check number order with cancelled check images. Also, the recordkeeping staff was not aware about the procedures for voiding a check as required by the APM.

Inappropriate administration of checks exposes the school to fraud, waste, and abuse of its resources. Failure to properly void checks could result in unauthorized check use and negotiation.

Recommendation: The recordkeeping staff should review the APM to become familiar with the BOE policies and procedures and requirements pertaining to voided checks and ensure that, the policies are followed.

2020.05: Delinquent Financial Reporting

There were **12** instances where monthly bank reconciliations were not completed timely by the recordkeeping staff. These reconciliations were prepared between **1** and **61** days delinquent.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the Principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and pass it to the Bookkeeper. The bank account must be reconciled within seven (7) days from receipt of the bank statement. Also, Section 5.2.1, *Financial Reporting Requirements Procedures* requires that, the principal should receive the report Package from the Bookkeeper by the 15th of each month.

There was staff turnover at the school. Also, it took some time for the current recordkeeping staff to understand the process. Reportedly, at other times, she did not “get round” to complete the reconciliations timely.

Delinquent reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal’s ability to promptly verify the school’s solvency status and identify individual transactions may be impacted.

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Recommendation: The current recordkeeping staff should ensure that, the bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. The principal should hold the bookkeeper accountable for timely report submission and perform thorough review of the monthly financial reports as evidenced by signature.

2020:06 Fundraiser Forms

The Fundraiser Request and Authorization Form, Fundraiser Completion Reports and annual reports summarizing all fundraising events for the school year were not completed.

The APM Section 7.2.2 *Procedures* requires clubs and organizations to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Report and the Annual Fund Raising Summary Report. These documents must be maintained on file for public and auditor review upon request.

The staff member responsible for fundraisers was not aware of the fundraiser procedures.

As a result of the forms not being completed, it is difficult to determine whether the fundraiser conducted by the school yielded any financial benefit or losses to the school since financial records are not complete and profit/loss ratio of fundraisers conducted could not be determined.

Recommendation: The principal must establish procedures to ensure that the requirement to complete the Fundraiser Request and Authorization Form prior to the commencement of all school fundraisers. The sponsors must also complete the Fundraiser Completion Form at the end of each fundraiser. Staff should be held accountable for compliance. The principal must ensure that an annual fundraising summary is prepared to summarize the year's fundraising events.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Cesar Chavez Dual Spanish Immersion was issued for the period October 2014 through November 2015. During that period, the current principal and recordkeeping staff were not in their current positions. There were 7 reported findings in the previous audit, of which 3 are repeated in this current report which contains 7 findings. The following findings were noted as a result of that audit and the current status is indicated.

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- **Untimely Deposits-** Condition still exists. See 2020.01 regarding *Mismanagement of Funds Received*.
- **Inadequate Internal Controls over Check Authorization.** Condition was not noted during this audit.
- **Failure to Separate Cash Management Duties.** Condition was not noted during this audit.
- **Mismanagement of Funds Received** (funds receipts lacked sufficient supporting documentation; changes made on the MTFs were not initialed) - Condition still exists. See 2020.01 regarding *Mismanagement of Funds Received*.
- **Expenditures made without Approval or Preapproval of the Principal.** Condition still exists. See 2020.03 regarding *Inadequate Approval of Disbursements*.
- **FY 2015/2016 Vending Machine Contract not on file.** Condition was not noted during this audit.
- **Deficit in Principal Sponsored Activities Account.** Condition was not noted during this audit

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Cesar Chavez Dual Spanish Immersion School for their cooperation and assistance during the audit.



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APPENDIX

Pertinent Personnel:

- Principal: Addis, Anna, Ph. D
- Recordkeeping Staff: Esperanza, Amaya

Prince George's County Public Schools

Internal Audit Department | Michele Winston, CPA, Director