




August 26, 2020

MEMORANDUM

To: **Ebony Cross Shields**, Instructional Director
Cluster 6

RaeShauna Mboma, Principal
Francis Scott Key Elementary School

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

Re: Financial Audit for July 1, 2017 through June 30, 2020

An audit of the financial records of **Francis Scott Key Elementary School** was conducted for the period July 1, 2016 through June 30, 2020. 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 by **September 28, 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, email address: internal.audit@pgcps.org. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enc.

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
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Internal Audit Report

Francis Scott Key Elementary School
Student Activity Funds

For the Period Ended June 30, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Francis Scott Key Elementary School for the period July 1, 2016 to June 30, 2020. Francis Scott Key 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 Funds Received;*
- *Mismanagement of Disbursements;*
- *Fundraiser Forms;*
- *Monthly Bank Reconciliations;*
- *Record Retention; and*
- *Year-end Monetary Transmittal Envelopes Submission*

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, 2020.



Michele Winston, CPA
Director, Internal Audit

Francis Scott Key Elementary School
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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Francis Scott Key Elementary School for the period July 1, 2016 to June 30, 2020.

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, 2016 to June 30, 2020. 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:

2021.01 Mismanagement of Funds Received

The audit revealed the following exceptions pertaining to the management of collections:

- A. *Delinquent Deposits* – There were **2** instances where the recordkeeping staff delinquently deposited the school funds received. In one of those instances the deposit was **10** days late. **(FY2018)**
- B. *Monetary Transmittal Form Changes* – There were **2** instances where the recordkeeping staff did not make changes to MTFs by initialing the changes as required. **(FY2020)**
- C. *Inappropriate Fundraiser* – There was **1** instance where the school charged students for “Jean Day” and deposited the funds into the Employee Sunshine Fund account. **(FY2018)**

The APM provides the following guidelines regarding the management of funds:

- A. Section 5.2, *Cash Deposits #2. Guidelines for Bank Deposits* – “Bookkeepers 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, it must be kept in a secure location. A secure location is a locked fireproof safe, which only the Principal and Bookkeeper can access the contents.”
- B. Exhibit E, *Monetary Transmittal Form*, provides instructions including, “The bookkeeper will not accept this form if: a pencil or white out is used, changes are not initialed...”
- C. Section 7.2.3, *Fundraising Activities states that prohibited fundraising activities include* charging for ‘Dress-down’ days.

The current recordkeeping staff’s tenure began in September 2019; therefore, she was unable to provide explanations for the delinquent deposits and the inappropriate fundraiser.

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The MTF changes that were not done according to policy was an oversight by the current recordkeeping staff.

When receipts are not deposited according to policy it puts the school at risk for fraud waste and abuse. When changes are not initialed, BOE policies and procedures put in place to prevent fraud and provide an audit trail are not followed. Sponsorship of prohibited fundraisers is noncompliance with BOE policies and procedures and may result in inequitable treatment of students.

Recommendations: The following steps are recommended to ensure compliance with the processing of funds received.

- A. The principal and recordkeeping staff should establish policies to ensure that deposits are performed as required, on the day of collection or the next business day when collections are less than \$250.00.
- B. The recordkeeping staff should ensure that all changes to MTF's are initialed according to the MTF instructions.
- C. The principal should ensure each fundraiser is administered according to the requirements of the APM.

2021.02 Inadequate Approval of Disbursements

There were **14** instances where expenditures were not adequately approved

- There were **8** instances where the funds available line was not correctly completed (**FY2018; FY2019**). The amount of the expenditures was included on the funds available line instead of the balance of funds in the related restricted fund accounts.
- There were **6** instances where there was no pre-approval of expenditures (**FY2018; FY2019**).

The APM Section 4.5.3, *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form (SFEF) must be appropriately completed (including the funds available line) and signed / approved by the principal.

The school did not have a recordkeeping staff for the last quarter of FY 2018. The current recordkeeping staff's tenure began in September of 2019. The principal and the

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recordkeeping staff tried to organize and establish a process for disbursements but failed to pre-approve some expenditures during the transition process.

Inadequately completed SFEFs reduces the assurance that purchases are made in accordance with the APM and puts the school at risk for insolvency. When the “Funds Available” line does not have the correct account balance information, the principal does not have necessary information to make an informed decision regarding the requested expenditure. Also, without proper approval the school is at risk for fraud, waste, and abuse.

Recommendation: The principal and recordkeeping staff should continue to implement procedures to ensure that each SFEF is properly completed and approved prior to purchasing items or services on behalf of the school. Also, the recordkeeping staff should ensure the ‘funds available’ line on the SFEF is completed with the balance of the fund account prior to forwarding the form to the principal.

2021.03 Fundraiser Forms

The school held **5** school wide fundraisers in **FY2019**, including **4** school wide fundraisers in **FY2018** and **1** school wide fundraiser in **FY 2020**, but failed to complete the required fundraiser completion and consolidated annual reports for each year.

Administrative Procedure 5135.1, *Fundraising*, indicates that when clubs and organizations have fundraisers, the Fundraiser Request and Authorization Forms must be completed to initiate the fundraiser. A Fundraiser Completion Report is also required at the end of each fundraiser to document the profits of the fundraiser. The principal is required to complete a consolidated report that summarizes the fundraising activities held by the school annually. These documents must be maintained on file for public and auditor review upon request.

The school did not have a bookkeeper for the last half of FY 2019 or the first two months of FY 2020. Therefore, reportedly the school had no time to enforce the fundraising policies. The current bookkeeper is fully aware of the policies and procedures that governs the fundraising process and has implemented a process for the school. The principal did not complete the required consolidated summary report because the principal was new to the school and did not have the appropriate record keeping staff.

Without the required reports it is difficult to determine whether the fundraisers conducted by the school yielded any financial benefit or loss. Financial records are not complete and information may not be available to make informed decisions on continuing fundraising activities in the future. Since the principal is the fiduciary agent for the school, he/she is responsible for ensuring that each fundraiser is approved.

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Recommendation: The bookkeeper and principal should familiarize staff with Administrative Procedure 5135.1 to ensure compliance with BOE fundraising policies and procedures. The principal should prepare an annual report summarizing all fundraising activities concluded during the year at the end of the school year. The annual report should include the net amount retained as profit from each fundraising activity. The annual report should be made available for parents and other interested members of the community for review. The bookkeeper should insure that the completion report is completed by the fundraiser’s sponsor.

2021.04 Monthly Bank Reconciliations

There were **7** instances where the school failed to complete the monthly bank reconciliation by the 15th of the month:

Reconciled Month	Approval Date	Approval Due Date	Days Delinquent
19-Jul	10/25/2019	8/15/2019	71
19-Aug	10/25/2019	9/15/2019	40
19-Sep	10/26/2019	10/15/2019	11
19-Nov	12/16/2019	12/15/2019	1
20-Jan	2/20/2020	2/15/2020	5
20-Mar	6/24/2020	4/15/2020	70
20-Apr	6/24/2020	5/15/2020	40

The APM Section 5.1.2, *Procedures* – Requires the monthly bank reconciliation to be completed by the bookkeeper within 7 days after receiving the statement from the bank. The reconciliation process is required to be completed by the 15th of each month following the month reconciled. The completed reconciliation should be forwarded to the principal every month for review and approval.

There were several factors that caused the school to complete some of the monthly reconciliations after the 15th. The school system shut down as of March 16, 2020 due to the Covid-19 pandemic resulted in a delay in preparation of 2 bank reconciliations. Also, turnover in the recordkeeping staff position has impacted the timely preparation of the other delinquent bank reconciliations.

Failure to complete monthly reconciliations as required results in untimely identification of discrepancies or errors that may occur during the month. Missed bank reconciliation would put the school at risk of not knowing the nature of bank account discrepancies.

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Recommendation: The recordkeeping staff should familiarize herself with the monthly reporting policies as outlined in the APM and ensure that monthly bank reconciliations are completed and approved by the 15th of each month. The principal should provide oversight into the reconciliation process and hold the recordkeeping staff accountable for compliance. The principal should request assistance from the Accounting and Financial Reporting Office when recordkeeping staff is unavailable to complete monthly bank reconciliations.

2021.05 Record Retention

The following documents were not provided for review during the audit:

- **2 End of year Monetary Transfer Forms from FY 2020;**
- **1 End of year Monetary Transmittal Form from FY 2019**
- **3 Supporting documents for funds received during FY 2019;**
- **2 Supporting documents for funds received during FY 2018;**
- **1 Disbursement records from FY 2019; and**
- **11 Canceled checks from FY 2017.**

The APM *Section 6.12 Record Retention* – Requires all SAF records to be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.”

The recordkeeping staff made several attempts to locate missing files from the previous administrative staff without success. The missing FY 2020 MTF could not be located due to disruption resulting from the COVID-19 closing. It appears that the school now has a reliable record management system.

Failure to make financial records available for audit constitutes noncompliance with BOE 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 must continue to oversee the process for ensuring that all school records are properly maintained and secured. The recordkeeping staff must be held accountable for compliance.

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2021.06 End of the Year Monetary Transmittal Forms Envelopes Submission

The year-end MTF envelope submission process was not operating as required. There were **8** instances during FY 2019 where a staff member did not retain the pink MTF remittances.

According to the APM staff members collecting funds are required to complete MTF's and must retain pink and yellow MTF remittances. The pink copy of the MTF is required to be retained by the preparer of the form. The white and yellow copy is submitted to the bookkeeper with funds collected. After approving the MTF, the bookkeeper returns the yellow copy to the originator. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow copies of the MTFs in a sealed envelope (with their signature over the seal) to the designated administrator.

Although the principal and recordkeeping staff reiterates the importance of the end of the year MTF process, one staff member did not adhere to the year-end MTF submission requirements.

Recommendation: The principal should add MTF requirements as a part of the professional development at the beginning of the school year to ensure all staff members are familiar with the end of the year-end MTF envelope submission requirements. Further, the principal should also consider requiring staff to sign a memorandum of understanding so that the staff members who are non-compliant can be held accountable.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Francis Scott Key Elementary School was issued for the period ended March 31, 2012. During that period, the principal and the recordkeeping staff has changed. The previous audit report included **4** reportable conditions, of which none 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:

- **Excessive spending in PSA** – Controls appear to be working.
- **Inadequate Supporting Documentation** – Controls appears to be working.
- **Checks Not Properly Signed** – Controls appear to be working.
- **Equipment Purchased Not In Inventory** – Controls appear to be working.

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ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Francis Scott Key ES**

Response Date September 28, 2020

Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Ir
<u>1.01:</u> <u>Management of</u> <u>Funds Received</u>	<p>The following steps are recommended to ensure compliance with the processing of funds received.</p> <p>A. The principal and recordkeeping staff should establish policies to ensure that deposits are performed as required, on the day of collection or the next business day when collections are less than \$250.00.</p> <p>B. The recordkeeping staff should ensure that all changes to MTF's are initialed according to the MTF instructions.</p> <p>C. The principal should ensure each fundraiser is administered according to the requirements of the APM.</p>	Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams tenure. All this information was reviewed with the auditor who conducted the initial work.	<p>A. The principal and recordkeeping staff will establish policies to ensure that deposits are performed as required, on the day of collection or the next business day when collections are less than \$250.00.</p> <ul style="list-style-type: none"> - completion of deposit emails will be required to the Principal NLT the day after collection - hard/soft copies of deposit record keeping measures will be established and maintained by the recordkeeping staff - scheduled Administrative meetings will review deposit practices and protocols moving forward <p>B. The recordkeeping staff should ensure that all changes to MTF's are initiated according to the MTF instructions.</p>	Prior to the end of the 1st quarter- November 5th protocols will be established to begin.	Ir

Signature RaeShauna Mboma

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			<ul style="list-style-type: none"> - All MTF protocols and instructions will be reviewed by all record keeping staff <p>C. The principal should ensure each fundraiser is administered according to the requirements of the APM.</p> <ul style="list-style-type: none"> - All fundraising protocols and instructions will be reviewed by all record keeping staff - Professional development around fundraising measures will be reviewed for all school based staff prior to participation approval 		
<u>1.02 Inadequate approval ofbursements</u>	The principal and recordkeeping staff should continue to implement procedures to ensure that each SFEF is properly completed and approved prior to purchasing items or services on behalf of the school. Also, the recordkeeping staff should ensure the ‘funds available’ line on the SFEF is completed with the balance of the fund account prior to forwarding the form to the principal.	Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams tenure. All this information was reviewed with the auditor who conducted the initial work.	<p>A. The principal and recordkeeping staff will continue to implement procedures to ensure that each SFEF is properly completed and approved prior to purchasing items or services on behalf of the school.</p> <ul style="list-style-type: none"> - All of the recordkeeping staff and Principal will review all SFEF protocols appropriately <p>B. Recordkeeping staff will ensure that the ‘funds available’ line on the SFEF is completed with the balance of the fund account prior to forwarding the form to the principal.</p>	Prior to the end of the 1st quarter- November 5th protocols will be established to begin.	I

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September 28, 2020

<p>1.03 Fundraiser ms</p>	<p>The bookkeeper and principal should familiarize staff with Administrative Procedure 5135.1 to ensure compliance with BOE fundraising policies and procedures. The principal should prepare an annual report summarizing all fundraising activities concluded during the year at the end of the school year. The annual report should include the net amount retained as profit from each fundraising activity. The annual report should be made available for parents and other interested members of the community for review. The bookkeeper should insure that the completion report is completed by the fundraiser's sponsor.</p>	<p>Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams tenure. All this information was reviewed with the auditor who conducted the initial work.</p>	<p>A. The bookkeeper and principal will familiarize staff with Administrative Procedure 5135.1 to ensure compliance with BOE fundraising policies and procedures.</p> <ul style="list-style-type: none"> - Professional development will be scheduled to review the AP 5135.1 - Annual report to be compiled at the end of the year for review by all stakeholders (i.e. parents, community members, etc.). 	<p>Prior to the end of the 1st quarter- November 5th protocols will be established to begin.</p>	<p>I</p>
<p>1.04 Monthly Bank Reconciliations</p>	<p>The recordkeeping staff should familiarize herself with the monthly reporting policies as outlined in the APM and ensure that monthly bank reconciliations are completed and approved by the 15th of each month. The principal should provide oversight into the reconciliation process and hold the recordkeeping staff accountable for compliance. The principal should request assistance from the Accounting and Financial Reporting Office when recordkeeping staff is unavailable to complete monthly bank reconciliations.</p>	<p>Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams tenure. All this information was reviewed</p>	<p>A. The recordkeeping staff will familiarize herself with the monthly reporting policies as outlined in the APM and ensure that monthly bank reconciliations are completed and approved by the 15th of each month.</p> <ul style="list-style-type: none"> - The principal should conduct check ins regarding the reconciliation process and hold the recordkeeping staff accountable for compliance (scheduled reminders NLT the 14th of each month). - The principal will request assistance from the Accounting and Financial Reporting Office 	<p>Prior to the end of the 1st quarter- November 5th protocols will be established to begin.</p>	<p>I</p>

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		with the auditor who conducted the initial work.	when recordkeeping staff is unavailable to complete monthly bank reconciliations.		
1.05 Record Retention	The principal must ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal must continue to oversee the process for ensuring that all school records are properly maintained and secured. The recordkeeping staff must be held accountable for compliance.	Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams tenure. All this information was reviewed with the auditor who conducted the initial work.	A. The principal will instruct all record keeping staff to keep files in the vault for a period of 7 years. - All record keeping staff will review all school record keeping protocols appropriately and check in all conflicts with the Principal during Admin scheduled check-ins - An additional school based in-house audit will be conducted to strengthen the school protocols and procedures using audit feedback findings	Prior to the end of the 1st quarter- November 5th protocols will be established to begin.	I
1.06 End of the Year Monetary Envelope Submission	The principal should add MTF requirements as a part of the professional development at the beginning of the school year to ensure all staff members are familiar with the end of the year-end MTF envelope submission requirements. Further, the principal should also consider requiring staff to sign a memorandum of understanding so that the staff members who are non-compliant can be held accountable.	Partially concur, as many of the protocols reviewed throughout the audit were established prior to the current teams	A. The principal will add MTF requirements as a part of the professional development at the beginning of the school year to ensure all staff members are familiar with the end of the year-end MTF envelope submission requirements. - All Professional development will be conducted before the end of the first semester to all school based staff	Prior to the end of the 1st quarter- November 5th protocols will be established to begin.	I

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		tenure. All this information was reviewed with the auditor who conducted the initial work.	- MOUs regarding all staff members who are non-compliant will also be reviewed regarding accountability		
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Signature RaeShauna Mboma

September 28, 2020