


July 22, 2020

MEMORANDUM

To: Denise Green, Ed. D., Instructional Director
Cluster 1

Alma Ezell-Lawson, Principal
Kenmoor Early Childhood Center

From: Michele Winston, CPA, Director 
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2020

An audit of the financial records, **Kenmoor Early Childhood Center**, was completed for the period July 1, 2016 through June 30, 2020. 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 Funds (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan by **August 24, 2020**, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated 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.

cc: Alvin Thornton, Ph. D., Board Chair
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
Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools
Michael Herbstman, Chief Financial Officer
Michael Dougherty, Director, Financial Services
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Suzann King, Esq., Executive Director, Board of Education
Janice Walters-Semple, CPA, Supervisor Internal Audit
Alicia Robinson, Internal Auditor II

Internal Audit Report

Kenmoor Early Childhood Center
Student Activity Funds

For the Period Ended June 30, 2020

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

Table of Contents

INTERNAL AUDITOR'S REPORT	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
ACKNOWLEDGEMENT	8

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Kenmoor Early Childhood Center for the period July 1, 2016 to June 30, 2020. Kenmoor Early Childhood Center's principal is responsible for the administration of the 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 findings:

- *Mismanagement of Funds Received;*
- *Depository Safe Not on School Premises;*
- *Delinquent Financial Reporting;*
- *Delinquent Reimbursements;*
- *Administration of Voided Checks; and*
- *Year-End Monetary Transmittal Forms Submission Process*

The findings resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, the SAF referred to above, has been 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

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

SUMMARY

The Internal Audit Department completed the initial audit of the student activity funds (SAF) for Kenmoor Early Childhood Center for the period July 1, 2016 to June 30, 2020. The school was opened to serve the students of the Landover community in July 2015. This audit was conducted as part of the annual audit plan.

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 for School Activity Funds (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2016 to June 30, 2020. Also, available receipts, disbursements and supporting documentation were reviewed for the said period.

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Mismanagement of Funds Received

There were **5** instances of non-compliance regarding the management of collections. The following issues of non-compliance were noted:

- ***Missing Documentation:*** There were at least **4** instances where MTFs were completed by staff but no supporting documentation was provided to substantiate the transactions. Funds were collected for lost student vests (used for students' identification) and vending commission without any documentation attached to substantiate the deposit.
- ***Record Retention:*** There was at least **1** instance where MTF #301966, for a check donation in the amount of \$5,000.00 received in January 2019, could not be located for review.

The APM section 4.5.2.2 (1), (2) *Collecting Funds and Guidelines for Bank Deposits, Completing the MTF*, and (3) *Preparing Bank Deposits*, requires the recordkeeping staff to verify that the funds received match the documentation attached to the MTF. The MTF documentation should substantiate the amount of funds remitted to the recordkeeping staff.

Also, the APM section 6.12 *Record Retention* requires that all SAF records must be retained for a period of **7** years and/or until audited. This includes, but is not limited to, financial reports, bank statements, receipts, disbursements, Monetary Transmittal Forms, School Funds Expenditure Forms (SFEF), cancelled checks and contracts.

The recordkeeping staff failed to hold school staff accountable for ensuring that MTF documentation was consistently provided to substantiate the funds received. The recordkeeping staff did not maintain an adequate records management system that ensured all funds received were appropriately documented. The recordkeeping staff could not explain why the MTF was missing.

Internal controls are compromised and the audit trail negated when documentation for funds deposited cannot be verified. The accuracy of funds recorded in the accounting system cannot be easily determined.

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

Recommendations: The following recommendations are suggested to foster compliance with management of funds received:

- A. The recordkeeping staff must ensure that all MTFs and supporting documents for funds remitted are retained by ensuring that an adequate records management system is established. Staff members must be required to provide adequate collection documentation to substantiate remittance.

- B. The principal should consider completing a periodic review of receipt documentation records to ensure that **all** MTFs have appropriate documentation attached to verify purpose and source of funds. The recordkeeping staff and other staff members must be held accountable for compliance.

2021.02 Depository Safe Not on School Premises

The school does not have a depository (drop) safe to securely store funds remitted by staff members after normal business hours or in the recordkeeping staff's absence. The school has a small lock box for storage of funds awaiting deposit with the financial institution.

The APM section 4.5.2.2 (3) *Cash Receipts Guidelines for Bank Deposits* requires schools to secure funds in a locked fireproof safe, which only accessible to the principal and bookkeeper. Drop safes are required for every school. The safe should be bolted to the floor and placed in a location accessible to the staff.

Reportedly, neither the principal nor recordkeeping staff was aware of the requirement for the school to have a drop safe to securely store funds and allow staff members the opportunity to remit funds when the recordkeeping staff is not available.

Security of SAF is impacted by not having a drop safe as required by the APM, which can result in lost or stolen funds. Staff members are denied access to securely remit funds when the recordkeeping staff is not available.

Recommendations: The principal must coordinate with the office of the Director of Finance and Treasury to have a drop safe purchased and installed in a location that is accessible to the staff. Subsequently, a safe log should be established to document when staff place funds in the drop safe. The principal should complete periodic reviews of the safe and safe log to ensure compliance.

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

2021.03 Delinquent Reimbursements

There were at least **3** instances where staff reimbursements were delinquent. The delinquency ranged from **47** to **110** days.

- A staff member made **2** separate purchases of school items on November 15, 2018. The staff member did not submit the receipts for disbursements until January 31, 2019 and reimbursement was issued on that date, resulting in 47 days delinquency.
- The principal purchased school items on July 3, 2019 in the other instance. A request for reimbursements was not submitted until November 20, 2019, resulting in 110 days in delinquency.

The APM section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires that all invoices and/or reimbursement requests should be paid within 30 days of receipt and have appropriate documentation.

Internal controls were not established to ensure that requests for reimbursements were submitted timely to the recordkeeping staff for payment within the 30 day period. Expenditures are understated when requests for reimbursements are not recorded timely in the financial records.

Recommendations: The staff should be reminded of the importance of submitting timely reimbursement requests to ensure compliance with the APM requirements. The principal should set the example for staff members to follow.

2021.04 Delinquent Financial Reporting

Monthly reporting requirements were not always followed. There were at least **7** months where monthly reporting was not performed timely by the recordkeeping staff. Financial reporting delinquency ranged from **13** to **79** days.

The APM section 5.1.2 *Monthly Reconciliation and Financial Reporting* states that the recordkeeping staff is required to complete the bank reconciliation within 7 days of receiving the statement from the bank. All financial reports including bank reconciliations should be completed by the 15th of each month and submitted to the principal for review and approval.

The current recordkeeping staff indicated that she was not always able to complete the monthly financial reporting timely due to the demands and challenges with performing front office responsibilities. The principal's fiscal responsibility is compromised when monthly reporting is not available and/or reviewed timely.

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

Recommendations: The principal should establish policies to ensure that appropriate time is allotted for the recordkeeping staff to perform monthly financial reporting in accordance with scheduled requirements included in the APM. The principal and recordkeeping staff should meet on a monthly basis to review and approve financial reports. The recordkeeping staff should ensure the financial reporting is performed timely for the principal to make fiscally responsible decisions on behalf of the school.

2021.05 Administration of Voided Checks

There were **9** instances where checks were not properly voided by removal of the signature line by the recordkeeping staff.

The APM, section 4.5.3.2, Policies and Procedures, Voiding Checks requires accounting for a physical check (in SFO) when an error is made at the time it is prepared or a check is damaged. Voided checks are required to be defaced by removal of the signature and account lines. The physical check should be filed in check number sequence with images of cancelled checks.

The principal, former recordkeeping staff and current recordkeeping staff failed to ensure that the voiding of checks was administered in compliance with BOE policies and procedures. The former recordkeeping staff shredded 2 of the voided checks. Even though the principal and current recordkeeping staff were familiar with the voided check process, it was not consistently followed.

Inappropriate administration of checks exposes the school to check fraud, and waste and abuse of its resources.

Recommendations: The principal should complete a periodic review of voided checks to ensure that the voided check process is occurring in accordance with BOE policies and procedures, i.e. removal of the signature and account lines.

2021.06 Year-End Monetary Transmittal Forms Submission Process

The following issues of non-compliance regarding the year-end MTF process were noted:

- End of year MTFs were collected by the recordkeeping staff.
- End of year MTFs were not submitted in sealed, signed envelopes.

The APM section 4.5.2.2 (1) *Collecting Funds* indicates that staff members are responsible for completing the MTF and maintaining an envelope containing all the MTF (pink and yellow) remittances during the year. Staff members are required to submit MTF

**Kenmoor Early Childhood Center
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

remittances in signed, sealed MTF envelopes to the designated administrator during the year-end checkout process. The envelopes should remain sealed until requested by Internal Audit. The year-end MTF envelopes should not be retained in a place that is accessible to recordkeeping staff.

Neither the principal nor the recordkeeping staff was familiar with the end of year MTF submission process.

The audit trail for reviewing the collection of SAF was compromised. As a result, internal controls for ensuring that all SAF collected were subsequently deposited and recorded was weakened and the potential for loss of funds increased.

Recommendations: Staff must be reminded of their responsibility relative to the end of year MTF envelope submission process. Each staff must be held accountable for submitting MTFs in sealed and signed envelopes as required.

The recordkeeping staff should continue to print the “*Receiptee History*” report from the school’s accounting system listing MTFs issued and provide it to the administrator and/or the principal’s designee with responsibility for collecting MTF envelopes at year-end. The principal should instruct the collection of the MTF envelopes based on the report. All MTF envelopes collected should remain sealed until reviewed by Internal Audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Kenmoor Early Childhood Center for their cooperation and assistance extended during the audit.

AK
08/07/20

Prince George's County Public Schools
Internal Audit Department

School/Office: Kenmoor ECC

Response Date August 24, 2020

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01 Mismanagement of Funds Received</u>	<p>A. The recordkeeping staff must ensure that all MTFs and supporting documents for funds remitted are retained by ensuring that an adequate records management system is established. Staff members must be required to provide adequate collection documentation to substantiate remittance.</p> <p>B. The principal should consider completing a periodic review of receipt documentation records to ensure that all MTFs have appropriate documentation attached to verify purpose and source of funds. The recordkeeping staff and other staff members must be held accountable for compliance.</p>	Concur	<ul style="list-style-type: none"> ● Provide binder to keep all documents ● Binder will be reviewed each month at the monthly financial meeting with the bookkeeper and the principal to ensure all documents are present and accounted for 	SY21	Not Implemented yet
2.	<u>2021.02 Depository Safe Not on School Premises</u>	The principal must coordinate with the office of the Director of Finance and Treasury to have a drop safe purchased and installed in a location that is accessible to the staff. Subsequently, a safe log should be established to document when staff place funds in the drop safe. The principal	Concur	<ul style="list-style-type: none"> ● Email was sent to Robin Zirnhelt on July 24, 2020 to inquire about the drop box. Mr Michael Dougherty responded to the email and asked me to call him. Per that conversation he stated the 	2/24/2020	Not Implemented yet

Principal Signature Alma Lawson

Date August 6, 2020

		should complete periodic reviews of the safe and safe log to ensure compliance.		Kenmoor did not warrant the cost of breaking up the floor and installing a drop box. He stated that he would call the auditor. <ul style="list-style-type: none"> Kenmoor will install a different type of <u>safe</u> that does not require breaking up the floor. 		
3.	<u>2021.03 Delinquent Reimbursements</u>	The staff should be reminded of the importance of submitting timely reimbursement requests to ensure compliance with the APM requirements. The principal should set the example for staff members to follow.	Concur	<ul style="list-style-type: none"> Reimbursements will not be made if documentation is not given in a timely fashion; at the time of purchase. Reimbursement will be done on a monthly basis to ensure compliance with the timeline for paying a bill. Within a week of getting the documents 	SY 21	Not Implemented yet
4.	<u>2021.04 Delinquent Financial Reporting</u>	The principal should establish policies to ensure that appropriate time is allotted for the recordkeeping staff to perform monthly financial reporting in accordance with scheduled requirements included in the APM. The principal and recordkeeping staff should meet on a monthly basis to review and approve financial reports. The recordkeeping staff should ensure the financial reporting is performed timely for the principal to make fiscally responsible decisions on behalf of the school.	Concur	<ul style="list-style-type: none"> Review all documents at the monthly financial meeting prior the the 15th of each month 	SY 21	Not Implemented yet
5.	<u>2021.05 Administration of Voided Checks</u>	The principal should complete a periodic review of voided checks to ensure that the voided check process is occurring in accordance with BOE policies and procedures, i.e. removal of the signature and account lines.	Concur	<ul style="list-style-type: none"> Will be reviewed at the monthly financial meeting Records keepers will complete the forms the week the banks statements arrive and it will 	SY 21	Not Implemented yet

Principal Signature Alma Lawson

Date August 6, 2020

				be review with the principal on a monthly basis prior to the 15th of the month		
6.	<u>2021.06 Year-End Monetary Transmittal Forms Submission Process</u>	<p>Staff must be reminded of their responsibility relative to the end of year MTF envelope submission process. Each staff must be held accountable for submitting MTFs in sealed and signed envelopes as required.</p> <p>The recordkeeping staff should continue to print the “<i>Receiptee History</i>” report from the school’s accounting system listing MTFs issued and provide it to the administrator and/or the principal’s designee with responsibility for collecting MTF envelopes at year-end. The principal should instruct the collection of the MTF envelopes based on the report. All MTF envelopes collected should remain sealed until reviewed by Internal Audit.</p>	Concur	<ul style="list-style-type: none"> Will install a safe for staff to put the MTF in. Records Keeper will not have access to this box. Recorder keeper will not have access because was told she gets one copy and someone else must get the other so they can be matched up during an audit. to ensure all funds have been and are handled appropriately Will be informed at first staff meeting August 20, 2020 the procedure for handling MTF’s forms 	SY 21	Not Implemented yet

Principal Signature Alma Lawson

Date August 6, 2020