

November 9, 2021

MEMORANDUM

To: Sheena Hardy, Instructional Director
Cluster 3

Shaneena Holland, Principal
Apple Grove Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2021

An audit of the financial records of **Apple Grove Elementary School** was completed for the period July 1, 2016 through June 30, 2021. 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 **December 9, 2021**, 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; Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbtsman, Chief Financial Office
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Kasandra Lassiter, Ed. D., Associate Superintendent for Elementary Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Supervisor
Benjamin Hanks, Internal Auditor II

Internal Audit Report

Apple Grove Elementary School
School Activity Funds

For the Period Ended June 30, 2021

**Apple Grove Elementary School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021**

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**Apple Grove Elementary School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Apple Grove Elementary School for the period July 1, 2016 to June 30, 2021. Apple Grove Elementary School'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:

- *Financial Reporting Requirements,*
- *Records Management,*
- *Inadequate Completion of Monetary Transmittal Form, and*
- *Administration of Vending Machine Contract*

The finding 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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has not been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2021.



Michele Winston, CPA
Director, Internal Audit

**Apple Grove Elementary School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021**

SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Apple Grove Elementary School for the period July 1, 2016 to June 30, 2021. The audit was conducted as part of the annual audit plan.

The audit indicated that the school's financial controls require significant improvement to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **4** findings, which occurred under the leadership of the previous principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, 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, 2021. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. The audit was limited to available documentation noting that certain records were not made available. (See *2022.02 Records Management*). The principal's tenure began in August 2021. The recordkeeping staff was not available for the duration of this audit. As such, the completeness of financial records relative to collections and disbursements could not be determined.

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.

**Apple Grove Elementary School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendation:

2022.01 Financial Reporting Requirements

There were **2** instances where monthly reporting was not completed timely by the recordkeeping staff and reviewed timely by the principal:

- March 2020 financial reporting was completed and reviewed on 06/03/20, resulting in **49** days of delinquency.
- April 2020 financial reporting was completed and reviewed on 06/03/20, resulting in **19** days of delinquency.

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

The recordkeeping staff was on leave while the audit was conducted and was unavailable to provide an explanation for the tardiness of the monthly financial reports.

The principal's fiscal responsibility is compromised when monthly financial reporting is not available and/or reviewed timely. The principal is also unable to make informed fiscal decisions when monthly financial reporting is not available for review and approval.

Recommendations: The principal should implement procedures to ensure that monthly financial reporting is accomplished in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the statement from the bank and the review and approval completed by the 15th of each month). The recordkeeping staff should be held accountable for ensuring that the financial reports are prepared timely and the principal should review those reports as required by the APM.

2022.02 Records Management

The following **records could not be located** (CNL) to substantiate SAF transactions:

- **4** Cash Receipts Records
- **4** Cash Disbursements Records
- **16** Voided Checks
- **7** Cancelled Checks

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- **2** End of Year Sealed MTF Envelopes
- **3** Fundraiser Completion Reports
- Annual Fundraising Summary for FY 2020
- **2** Monetary Transmittal Form Log (FY2020 and FY 2021)

According to APM section *6.12 Record Retention*, all SAF records must 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. Also, the APM *Exhibit B Staff Responsibility for SAF Bookkeeper/Financial Secretary* indicates that the bookkeeper or financial secretary is required to produce and maintain documents/reports in an organized fashion.

Due to COVID-19 not all staff returned in June 2020 and June 2021 to finalize closeout procedures, therefore not all staff submitted some/all of their end of year MTFs. The recordkeeping staff was on leave while the audit was conducted and was unavailable to provide any explanation regarding the missing financial records.

The absence of an effective records management system impacts the retrieval of accessibility to requested documentation. Specifically, the planned completion date of audit fieldwork was extended as a result of additional time spent on locating and organizing documents for testing. Evidence for determining that internal controls for ensuring all SAF policies and procedures are followed is removed when financial records are unavailable for review.

Recommendations: The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. Disbursements should be filed in check numerical order. Deposits should be filed in date order. The principal should remind staff that all MTFs should be retained and submitted at the end of each school year to the principal and/or designee. The principal should conduct a periodic review of financial records to determine proper organization. The recordkeeping staff must be held accountable for compliance.

2022.03 Incomplete Monetary Transmittal Form

There was **1** instance where an approve MTF was not entirely completed and signed by school staff. Section 1 of MTF # 383823 for deposits totaling \$1,008.95, *Monetary Description*, did not include documentation of the currency collected, check/money order number and amount and grand total; MTF Section 1 *Bookkeeping Classification* is blank; The MTF is missing bank deposit ticket and documentation of amounts and the source of funds to substantiate the collection.

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According to APM section 4.5.2.2 (1) *Collecting Funds*, each MTF must be completed with who collected money, when it was collected, from whom it was collected, the amount and form that was collected, and the reason it was collected. Recordkeeping staff is required to verify and ensure funds received total to the documentation attached to the MTF. Each MTF documentation must substantiate the funds remitted to the recordkeeping staff. The recordkeeping staff is also required to maintain an MTF log to include a numerical list of MTFs, names of individuals receiving MTFs, dates MTFs are issued and returned and the total amount of the MTF.

The recordkeeping staff was on leave while the audit was conducted and was unavailable to provide an explanation for the incomplete MTF.

Inadequate documentation compromises internal controls required for efficient processing of SAF. The source of funds, amount of funds and the description of funds remitted could not be verified as a result of inadequate documentation. Moreover, adequate information for ensuring proper financial reporting was not available.

Recommendations: The principal must perform periodic review of the cash receipt files to ensure that the recordkeeping staff exercises due care to ensure that all MTFs are completed as required prior to acceptance from staff. The recordkeeping staff should be held accountable for compliance.

2022.04 Administration of Vending Machine Contract

The school operates 2 vending machines located in the faculty lounge; however, there is no current contract in place for the operation of these vending machines. It was also noted in the previous audit as of October 31, 2015 that a vending contract was not present.

According to APM Section 6.5 *Contracts*, all schools with vending machines are required to have a signed contract stipulating commissions due the school and frequency with which the commissions are to be remitted. The contract term cannot exceed one year.

The former principal failed to adhere to the BOE policies and procedures regarding vendor contracts.

Failure to keep a formal vending contract on file violates policies and procedures of the APM and constitutes noncompliance with BOE policies and procedures. The school may not have derived the maximum benefits from operation of the vending machines.

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Recommendations: The principal should seek guidance from the Purchasing and Supply Services to procure an alternate vendor. The principal must ensure that a current signed contract stipulating commissions due the school and the frequency that commissions are remitted is maintained on file at the school.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Apple Grove Elementary School was issued for the period ended October 31, 2015. The current principal's tenure began August 2, 2021; however, the recordkeeping staff was on staff during the previous audit. There were **5** findings noted as a result of that audit and the current status is summarized below.

- **Mismanagement of Disbursements** – Condition was not noted during this audit.
- **Inadequate Documentation of Funds Received** – Condition was not noted during this audit.
- **Fundraiser Forms Not Completed** – Condition still exists. **See Finding 2022.02** regarding *Records Management*.
- **Vending Machines** – Condition still exists. **See Finding 2022.04** regarding *Administration of Vending Machine Contract*.
- **Equipment Purchased with Student Activity Funds Not Recorded on Inventory Listing** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

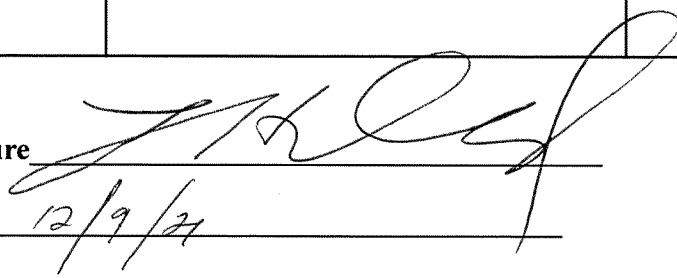
We would like to thank the principal and staff of Apple Grove Elementary School for their cooperation and assistance extended during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office: Apple Grove ES
Response Date December 09, 2021

| | Findings | Recommendations | Concur Non-Conc ur Partially Concur | Action Plan | Corrective Action Date | Status Implemented Partially Implemented Not Implemented |
|----|--|--|--|--|---|---|
| 1. | <u>2022.01 Financial Reporting Requirements</u> | The principal should implement procedures to ensure that monthly financial reporting is accomplished in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the statement from the bank and the review and approval completed by the 15 th of each month). The recordkeeping staff should be held accountable for ensuring that the financial reports are prepared timely and the principal should review those reports as required by the APM. | Concur | -monthly (on the 10th of the month) the principal and bookkeeper will meet to review the financial report -2 days after the principal receives the monthly statement it will be provided to the bookkeeper. The bookkeeper will generate a monthly report and submit it for the principal's review no later than the 10th of the month or the next first business day if the 10th falls on a weekend during our meeting -principal will reviewed and initial each page of the report once it is - | this corrective action will begin once the bookkeeper returns | not implemented |

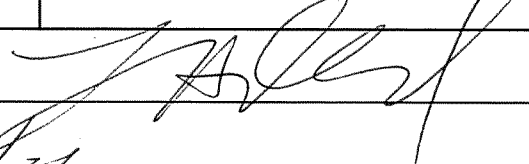
Principal Signature _____

Date _____



12/9/21

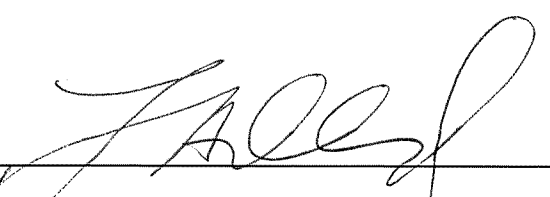
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|----|--|---|--------|--|---|-----------------|
| 2. | <u>2022.02 Records Management</u> | The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. Disbursements should be filed in check numerical order. Deposits should be filed in date order. The principal should remind staff that all MTFs should be retained and submitted at the end of each school year to the principal and/or designee. The principal should conduct a periodic review of financial records to determine proper organization. The recordkeeping staff must be held accountable for compliance. | Concur | <p>Principal will review the MTF process with the bookkeeper. Bookkeeper will turnkey information to staff</p> <p>The bookkeeper will conduct a professional development to review the MTF procedure with all staff members .</p> <p>At the end of the year the principal will review the roster of MTFs signed out and cross reference with the MTFs turned in by teachers to ensure all MTFs are turned in. Teachers that do not turn MTF will write a memorandum for the missing MTF.</p> <p>At the monthly meetings the bookkeeper is bringing notebooks for deposits, states and monthly report for a periodic review</p> | this corrective action will begin once the bookkeeper returns | not implemented |
| 3. | <u>2022.03 Incomplete</u> | The principal must perform periodic review of the cash receipt files to ensure | Concur | The principal will monitor cash deposits by the bookkeeper. Principal will ensure the receipts | this corrective | not implemented |

Principal Signature 

Date 12/9/21

| | | | | | | |
|----|--|---|--------|--|---|-------------|
| | <u>Monetary Transmittal Form</u> | that the recordkeeping staff exercises due care to ensure that all MTFs are completed as required prior to acceptance from staff. The recordkeeping staff should be held accountable for compliance. | | of the deposit are the appropriate date. The area of monetary transmittal form will be reviewed and discussed during the principal and bookkeeper monthly meeting | action will begin once the bookkeeper returns | |
| 4. | <u>2022.04 Administration of Vending Machine Contract</u> | The principal should seek guidance from the Purchasing and Supply Services to procure an alternate vendor. The principal must ensure that a current signed contract stipulating commissions due the school and the frequency that commissions are remitted is maintained on file at the school. | Concur | The relationship with the vendor has been dissolved. Mr. Ray Hall was contacted via telephone to discuss the status of the vending machine. A follow-up email was sent to Mr. Ray Hall | November 15, 2021 | implemented |

Principal Signature _____



Date _____

12/9/21