

August 10, 2021

**MEMORANDUM**

To: Susan Holiday, Instructional Director  
Cluster 2

Damien Goins, Principal  
Gaywood Elementary School

From: Michele Winston, CPA, Director,   
Internal Audit

Re: Financial Audit for July 1, 2016 through May 31, 2021

An audit was completed on the financial records of **Gaywood Elementary School** for the period July 1, 2016 through May 31, 2021. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds (SAF) and Board of Education (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **September 9, 2021** 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](mailto:internal.audit@pgcps.org). **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Esq., Director, Financial Services  
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Katrina Greene, Student Activity Fund Support Specialist  
Janice Walters-Semple, CPA, Supervisor Internal Audit  
Rhonda Carter, Internal Auditor II

**Internal Audit Report**

**Gaywood Elementary School  
School Activity Funds**

**For the Period Ended May 31, 2021**

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

**Table of Contents**

INTERNAL AUDITOR’S REPORT .....	2
SUMMARY .....	3
OBJECTIVES .....	3
SCOPE .....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS .....	9
ACKNOWLEDGEMENT .....	9

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Gaywood Elementary School for the period July 1, 2016 through May 31, 2021. Gaywood 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 findings:

- *Mismanagement of Disbursements;*
- *Administration of Checks;*
- *Mismanagement of Funds Received; and*
- *Excessive Spending in Restricted Accounts*

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

In our opinion, except for the deviations 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 May 31, 2021.



Michele Winston, CPA, Director  
Internal Audit

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

**SUMMARY**

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Gaywood Elementary School for the period July 1, 2016 through April 30, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated 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 (BOE) policies and procedures.

This audit report includes **4** findings that occurred under the leadership of the current 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through May 31, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period. 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.

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations.

**2022.01: Mismanagement of Disbursements**

Cash disbursements reviewed during the audit period were not processed in accordance with BOE policies and procedures. The following exceptions pertaining to the management of disbursements were noted:

- A. *Inadequate Approval* – There were **7** instances where expenditures were not adequately approved. The School Funds Expenditure Forms (SFEF) were not completed and approved by the principal in **1** instance. Approval of expenditures were provided after the purchase date in the other **6** instances.
  
- B. *Inadequate Supporting Documentation* - There were **2** instances where the supporting documentation to substantiate the expenditures were not included with the SFEF.

The APM provides the following guidelines regarding the administration of cash disbursements:

- A. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal. The pre-approval function may be delegated to a vice-principal (or alternate administrator) extended absence is anticipated.
  
- B. All checks must have itemized documentation attached to the SFEF that supports the amount of the check.

The principal and recordkeeping staff did not consistently follow established internal controls relative to management of disbursements to ensure SFEFs were properly completed and approved. The principal stated that he was on extended leave during the missed approval of the SFEF which was partially approved by the designated alternate. A complete review of supporting documentation was not conducted by the recordkeeping staff prior to issuance of checks.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Approving purchases without

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

adequate documentation or failure to adequately approve expenditures could result in payment for goods and services that were not received.

**Recommendation:** The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures. This information must be communicated to his designee when the principal is not available to approve expenditures.
- B. The principal and recordkeeping staff must ensure that internal controls are consistently adhered to. SFEFs and supporting documentation must be properly reviewed for completeness prior to issuance of payments.

**2022.02: Administration of Checks**

The following exceptions pertaining to administration of checks were noted:

- A. ***Voided Checks*** - During the review of the school's voided checks, the following exceptions were noted:
  - There were **2** instances where voided checks were not properly voided by removal of the signature line.
  - There were **9** instances where voided checks were not entered into the SFO accounting system.
- B. ***Cancelled Checks*** - During the review of the school's cancelled checks, the following exception was noted:
  - There were **2** instances where cancelled checks could not be located.

According to the APM, all voided checks must be entered into SFO and have "VOID" written across the face of the check. The signature line must be removed and the voided checks attached to Void Check Proof Sheets.

According to the 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

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, SFEFs, cancelled checks and contracts.

The recordkeeping staff did not always follow established internal controls relative to administration of checks to ensure consistent removal of the signature lines. Removal of the signature line was overlooked in the 2 instances. According to the recordkeeping staff, she did not always generate a Void Check Proof Sheet when voiding checks which resulted in failure to note that some of the voided checks were not entered into SFO.

Reportedly, cancelled checks may not have been returned from the bank along with the bank statement resulting in the 2 cancelled checks that could not be located for review during the audit.

Failure to properly void checks by removal of the signature line could result in unauthorized negotiation of checks; while, not entering all checks in SFO impacts the accountability for all checks. Failure to make cancelled checks available for audit compromises the audit trail necessary for determining compliance with applicable requirements.

**Recommendation:** The following corrective actions should be implemented as required by the BOE policies and procedures:

- A. The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO and have “VOID” written across the face of the check, and the signature line must be removed during the voiding process. The recordkeeping staff must be held accountable for compliance.
- B. The principal and recordkeeping staff must carefully review the bank statement to ensure that checks listed as cleared are included with the statement. Proper care must be taken to ensure that the cancelled checks are filed as required and made available for review when requested.

**2022.03: Mismanagement of Funds Received**

Collections reviewed during the audit period were not always processed in accordance with BOE policies and procedures. The following exceptions pertaining to management of receipts were noted:

- A. ***Delinquent Deposits*** – There were **3** instances where deposits were not made in a timely manner. The range of delinquency was 6 to 12 days.
- B. ***Completion of Monetary Transmittal Forms*** - There was **1** instance where Sections 1 and 2 of the MTF did not agree.



Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

- C. ***Support for Transfer of Funds Received*** – There were 2 instances where supporting documentation could not be located to determine whether transfers were made in accordance with the requirements of the APM.

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

- A. 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. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTF's. The exact make-up of the funds and the total amount being submitted to the Bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report.
- C. Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Evidence of approval is documented on the Fund Transfer Journal Entry Proof Sheet.

BOE policies and procedures as established in the APM were not consistently followed. A staff member collected funds for a 5<sup>th</sup> Grade candy fundraiser on 2 separate occasions, but submitted both MTFs after the second collection which resulted in the late deposit. Due to an oversight, processing of an MTF by the recordkeeping staff was not adequately performed to ensure Sections 1 and 2 of the MTF agreed. The Fund Transfer Journal Entry Proof Sheets were not consistently maintained in the files by the recordkeeping staff in accordance with APM requirements.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received and transfer of funds constitutes noncompliance with the requirements of the APM. Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely when making financial decisions. Failure to maintain supporting documentation for transfers in accordance with the requirements of the APM could lead to inaccurate recording and reporting of the school's financial transactions.

**Recommendation:** The following corrective actions should be implemented for Gaywood Elementary School collections to be processed in accordance with BOE policies and procedures:

- A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**. Teachers must be reminded that funds collected cannot be held overnight regardless of the nature of the

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

- collection. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- B. The recordkeeping staff must be diligent in the review of MTFs to ensure the accurate documentation of funds received on the MTFs.
- C. The Principal must consistently remind the recordkeeping staff of the importance of adequately supporting financial transactions and specifically fund transfers during the monthly review process. The recordkeeping staff must be held accountable for compliance.

**2022.04: Excessive Spending in Restricted Accounts**

The School Activity Fund included 2 restricted fund accounts with deficits totaling **(\$1,452.63)** as of May 31, 2021. The following is a listing of accounts with deficits:

- 450.20 PSA-Food account has a deficit of **(\$811.90)**
- 480.00 Yearbook account has a deficit of **(\$640.73)**

According to the APM expenditures for all restricted accounts are limited to the amount of funds collected for those activities. The account is insolvent when restricted accounts exceed the available cash. As the fiduciary agent for SAF, the principal should ensure all accounts are solvent at all times.

BOE policies and procedures as established in the APM regarding the use of restricted funds were not always followed. According to the principal, the yearbook account was inherited as a deficit account from his predecessor approximately 10 years ago. According to the recordkeeping staff, fundraisers are minimal and the school no longer has vending machines which generated commissions to offset deficits. Students are not receiving the maximum possible benefit of the resources that should have been available to them.

**Recommendation:** Spending in these accounts must cease until the account deficits are resolved. Accounting and Financial Reporting should be contacted and all potential expenditures evaluated with regard to the resolution of these deficits. Care must be exercised to ensure the resources are used for the maximum benefit of the students.

Gaywood Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended May 31, 2021

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Gaywood Elementary School was issued for the period ended November 30, 2015. During that period, the current principal and recordkeeping staff were assigned to the school. The previous audit report included **5** reportable conditions of which **3** were corrected and **2** are repeat findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** – Condition still exists. See Finding 2022.03, *Mismanagement of Funds Received*.
- **Delinquent Payment of Invoices and Reimbursements** – Controls appear to be working.
- **Administration of Cancelled and Voided Checks** – Condition still exists. See Finding 2022.02, *Administration of Checks*.
- **Year-end Monetary Transmittal Forms Envelopes Process** – Controls appear to be working.
- **Failure to Complete Fundraising Reports** – Controls appear to be working.

**ACKNOWLEDGEMENT**

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

**Prince George's County Public Schools  
Internal Audit Department  
School/Office: Gaywood Elementary School  
Response Date: September 29, 2021**

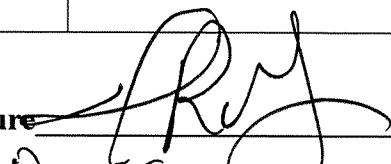
	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<b><u>2022.01</u></b> <b><u>Mismanagement</u></b> <b><u>of Disbursements</u></b>	<p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The principal should ensure all pre-approved details are provided on SFEFs prior to approving expenditures. This information must be communicated to his designee when the principal is not available to approve expenditures.</p> <p>B. The principal and recordkeeping staff must ensure that internal controls are consistently adhered to. SFEFs and supporting documentation must be properly reviewed for completeness prior to issuance of payments.</p>	Concur	<p>Principal will review all pre-approved SFEFs records prior to approving expenditures indicated to monitor and ensure that Board policies are being followed with regard to disbursement of funds.</p> <p>Principal will remind staff to submit all expenditure forms <u>before</u> making a purchase or spending funds.</p>	5/31/2021	Implemented
2.	<b><u>2022.02</u></b> <b><u>Administration of</u></b> <b><u>Checks</u></b>	<p>The following corrective actions should be implemented as required by the BOE policies and procedures:</p> <p>A. The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO and have "VOID" written across the face of the check, and the signature line must be removed during the voiding process. The recordkeeping staff must be held accountable for compliance.</p> <p>B. The principal and recordkeeping staff must carefully review the bank statement to ensure that checks listed as cleared are included with the statement. Proper care must be taken to ensure that the cancelled checks are filed as required and made available for review when requested.</p>	Concur Partially	<p>Bookkeeper will make sure to prepare a Void Check Proof Sheet, enter the voided check in SFO, and have principal sign the SFEF form. The check's signature line will be cut off and all voided checks will be accounted for and filed with cancelled checks from the bank.</p> <p>Principal will review voided checks before signing the SFEF voided check form.</p>	5/31/2021	Implemented

Principal Signature \_\_\_\_\_

Date \_\_\_\_\_

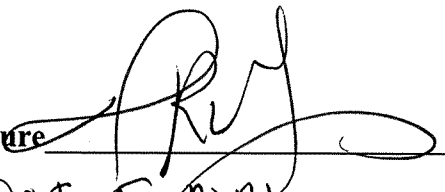
*[Handwritten Signature]*  
OCT. 5, 2021

3.	<u><b>2022.03</b></u> <u><b>Mismanagement</b></u> <u><b>of Funds</b></u> <u><b>Received</b></u>	<p>The following corrective actions should be implemented for Gaywood Elementary School collections to be processed in accordance with BOE policies and procedures:</p> <p>A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of \$250.00. Teachers must be reminded that funds collected cannot be held overnight regardless of the nature of the collection. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.</p> <p>B. The recordkeeping staff must be diligent in the review of MTFs to ensure the accurate documentation of funds received on the MTFs.</p> <p>C. The Principal must consistently remind the recordkeeping staff of the importance of adequately supporting financial transactions and specifically fund transfers during the monthly review process. The recordkeeping staff must be held accountable for compliance.</p>	Concur Partially	<p>Bookkeeper will set a daily time to take deposits to the bank and try to adhere to that time. The principal will monitor and periodically review the deposit records to ensure that funds are taken to the bank on a regular basis and all deposits are being made as outlined in BOE policies and procedures.</p> <p>The principal will remind the staff that they are not to hold funds overnight regardless of the amount. They can drop it in safe or prepare an MTF and submit the funds for deposit.</p> <p>The bookkeeper will carefully review all MTFs for accuracy prior to signing and dating. Will ensure that the MTF and funds received agree so that deposit can be made.</p>	5/31/2021	Implemented
4.	<u><b>2022.04</b></u> <u><b>Excessive</b></u> <u><b>Spending in</b></u> <u><b>Restricted</b></u> <u><b>Accounts</b></u>	<p>Spending in these accounts must cease until the account deficits are resolved. Accounting and Financial Reporting should be contacted and all potential expenditures evaluated with regard to the resolution of these deficits. Care must be exercised to ensure the resources are used for the maximum benefit of the students.</p>	Concur	<p>No spending in Principal-Sponsored Activities (PSA) for the staff and the Yearbook account will be made until the deficits in those accounts are paid off.</p> <p>The Yearbook advisor will look into fundraising to pay off that deficit making sure that parents, students, and the community are made aware of the intended use/purpose of any funds raised on flyers, call outs, etc.</p> <p>The principal will refrain from spending money on the staff from the PSA account until a \$0 balance is</p>	5/31/2021	Partially Implemented

Principal Signature  \_\_\_\_\_

Date Oct. 5, 2021

				reached. The Accounting and Financial Reporting Office will be contacted to have all expenditures evaluated prior to enlarging the deficit.		
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Principal Signature  \_\_\_\_\_  
Date Oct. 5, 2021