



January 27, 2022

MEMORANDUM

To: Danielle Moore, Ed. D., Instructional Director
Cluster 7

Maha Fadli, Principal, Kenmoor Middle School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period July 1, 2019 through October 31, 2021

An audit of the financial records of **Kenmoor Middle School** was completed for the July 1, 2019 through October 31, 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 Fund (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 **February 28, 2022** 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. **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, Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@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
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
David Curry, Ed. D., Associate Superintendent, Middle Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

**Kenmoor Middle School
School Activity Funds Audit**

For the Period Ended October 31, 2021

Kenmoor Middle School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Kenmoor Middle School for the period July 1, 2019 through October 31, 2021. Kenmoor Middle 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,*
- *Delinquent Monthly Bank Reconciliations,*
- *Administration of Voided Checks,*
- *Unapproved Fundraisers, and*
- *Management Oversight*

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

In our opinion, except for the deviation from the criteria described in the preceding paragraph, the APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2021.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Kenmoor Middle School for the period July 1, 2019 through October 31, 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 6 findings which 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. Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and to determine whether the school was in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit report focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

SCOPE

The audit was based on our review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2019 through October 31, 2021. Also, selected receipts, disbursements and supporting documentation were reviewed for the said 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2022.01: Mismanagement of Funds Received

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

- A. ***Donated Funds Not Deposited:*** There was **1** instance where a donation in the amount of \$1,000.00 from Target was not deposited into the school's bank account. The envelope containing the stale check dated January 21, 2020 was included in a staff members' FY 2020 end of year MTF envelope and was not opened until the audit. The check was issued from the school's PTSA's account that referenced *Target Grant – Soccer*.
- B. ***Delinquent Deposits:*** There were **12** instances where funds received were not deposited timely. The delinquency ranged from **3 to 53** days after the initial collection by staff members.
- C. ***Inappropriate Changes to Monetary Transmittal Forms:*** There were **2** instances where changes to MTFs were not recorded in accordance with the APM. Changes were not initialed in the noted instances.
- D. ***Year-End Monetary Transmittal Forms Submission Process:*** The Year-End MTF envelope submission process was not followed as prescribed in the APM. There were **13 and 22** MTF remittances missing from staff members' MTF envelopes for FY 2020 and FY 2021 respectively.

The following are the criteria is outlined in the APM for the administration of funds received:

- A. Section 4.5.2.2, *Cash Receipts, Procedures requires* all funds collected to be remitted to the bookkeeper on the day of collection, along with a completed MTF. The bookkeeper 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. Also, staff members should never hold funds overnight.
- B. According to the APM, Section 4.5.2.2, *Cash Receipts, Procedures* if corrections to a MTF is necessary, the originator of the MTF must make the correction by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry. The reason for the correction (e.g., "transposition of numbers", "arithmetical error", etc.) must be noted on the MTF and the originator must sign the correction.

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

The following explanations were provided for the mismanagement of funds received:

- A. The check was donated by Target to the school's soccer team. According to the soccer coach, the check was received from the PTSA during FY 2020 and the coach forgot to remit it to the recordkeeping staff for deposit.
- B. There were two previous recordkeeping staff persons within the audit period and the current recordkeeping staff person was not aware of the reasons for the delinquency during the previous tenure. However, delinquencies during the current recordkeeping staff person's tenure resulted from having to perform recordkeeping and administrative duties simultaneously.
- C. The initial inappropriate change to a MTF could not be explained since it was made during the former recordkeeping staff's tenure. The second inappropriate change made by the current recordkeeping staff occurred prior to reading the APM to understand that such changes are prohibited.
- D. The missing MTF remittances were submitted to the previous recordkeeping staff by the designated administrator. That recordkeeping staff is no longer with PGCPSS and efforts to locate the MTF remittances were futile.

Students did not benefit from the Target donation as intended by the donor. Delinquent deposit of funds constitute non-compliance with Board policies and procedures and increases the risk of loss. Improper corrections to MTFs remove the audit trail and compromises accountability. Internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased. Also, the audit trail for ensuring the completeness of collections was impacted as a result of missing MTF remittances.

Recommendations: The following steps must be taken to improve the management of collection:

- A. The principal should contact the PTSA and attempt to have the check re-issued. Staff members must be reminded of their responsibility to complete a MTF for any collection and remit the funds to the recordkeeping staff promptly for verification and deposit.

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- B. The principal must review the recordkeeping staff's responsibilities and ensure that specific time is allotted each day to facilitate timely deposit of funds as required.
- C. The principal should consider issuing information to staff members reminding them of the appropriate way to correct information on the MTF. The recordkeeping staff should be held accountable for compliance.
- D. The principal should designate a secure location where year-end MTF remittances will be stored and are retrievable during the audit process. The administrator responsible for year-end MTF collection must be reminded that sealed, signed envelopes obtained from staff members must be submitted to the principal and kept in a location that is not accessible to the recordkeeping staff.

2022.02: Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Inadequate Approval of Disbursements:*** There were **6** instances where School Funds Expenditure Forms (SFEF) lacked adequate approval. The *Funds Available* section of the SFEF was not completed and the principal's signature was not appended to the SFEF in the noted instances. The current version of the SFEF which requires documentation of funds available was not always used.
- B. ***Inappropriate Use of the Reimbursement Vendor Option:*** There were **4** instances where disbursements were processed using the "*Reimbursement Vendor*" option instead of the "*Refund Vendor*" option to make refunds to students.

The following are criteria specific to the noted instances of management of disbursements:

- A. The APM, Section 4.5.3.1 provides that prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the principal. Completion of pertinent fields on the SFEF such as "Fund Available" is required to guide the principal regarding the availability of funds prior to approving disbursements.
- B. It is sound business practice to record transactions in their proper categories to properly account for all funds disbursed. All checks must be written to an Approved/Active vendor in *School Funds Online*. The only exceptions are for staff reimbursements and parent refunds. For checks reimbursing staff, the vendor option is "*Reimbursement;*" for checks refunding a parent, the vendor option is "*Refund.*"

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The following causes were provided for the mismanagement of disbursements:

- A. A careful review of SFEFs were not performed by the principal and previous recordkeeping staff to ensure that expenditures were approved as required.
- B. An older version of the SFEF was used which does not have the field for *Available Funds* so funds available in specific fund accounts was not documented during the approval process.
- C. The reason for inappropriately using the reimbursement vendor option to process refunds to students could not be explained by the current recordkeeping staff since the exceptions occurred during the tenure of a previous recordkeeping staff.

Mismanagement of disbursements constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Inadequate approval of expenditures can result in unauthorized purchases and insolvency of the school's accounts. Also, improper classification of disbursements impacts the accuracy of reporting that provides administrators with financial information for decision-making.

Recommendations: The following steps should be taken to improve the management of disbursements:

- A. The principal must perform a thorough review of SFEFs submitted for approval to ensure that they are entirely completed prior to approval.
- B. The principal must instruct the recordkeeping staff to discontinue using outdated SFEFs and replace with the current version to ensure that all required fields are completed as required during the approval process.
- C. Recordkeeping staff should be held accountable for compliance.

2022.03: Delinquent Monthly Bank Reconciliations

There were **2** instances where the school did not reconcile and review monthly bank reconciliations timely. The bank reconciliation delinquencies were 5 and 9 days.

According to the APM, Section 4.2.2, Bank Account Procedures, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled by the bookkeeper within 7 days of receipt of the bank statement. The principal is also required to conduct the review of bank reconciliations by the 15th day of each month.

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According to the recordkeeping staff, the delays were caused by untimeliness in receipt of the bank statement and the principal's inability to access the electronic statements.

Delinquent reconciliations impact the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and to promptly identify transactional errors may be impacted.

Recommendation: The principal must initiate the process to request electronic bank statements to ensure that the recordkeeping staff is able to prepare the monthly bank reconciliations by the due date. Alternately, the principal should contact the bank to request a printout of the school's monthly bank statements to facilitate timely completion of monthly bank reconciliations.

2022.04: Administration of Voided Checks

There were **8** instances where checks were returned to the school because they could not be delivered. The checks were subsequently voided; however, the signature section of the checks were not removed as part of the void check process.

According to APM Section 4.5.3.2 (5) *Summary of Check Disbursement Procedures* requires that voided checks are defaced, but filed in check number order with cancelled.

Failure to deface voided checks occurred during the tenure of the previous recordkeeping staff. The current recordkeeping staff could not provide any explanation for the occurrences.

Inappropriate administration of the void check process is noncompliance with the requirements of the APM and exposes the school to unauthorized check use and negotiation.

Recommendation: The principal must carefully review the check folder to ensure that all check are voided as required.

2022.05: Unapproved Fundraisers

The school conducted 2 two fundraisers during FY 2020. The completed Fundraiser Request and Authorization Forms included with the school's financial records were not approved by the principal.

According to the APM, all fundraisers sponsored by a school organization should be jointly planned by students and faculty, and approved by the principal. Also, instructions on the Fundraiser Request and Authorization Form states that "this form must be completed and approved by the principal prior to entering into any formal commitments with vendor(s).

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According to the sponsoring staff member, he submitted the Fundraiser Request and Authorization Forms to the previous recordkeeping staff. Apparently, the Fundraiser Request and Authorization were not forwarded to the principal for approval.

Recommendation: The principal must issue a memorandum reminding fundraiser sponsors of the requirement to obtain approval from the principal prior to initiating fundraisers. Sponsors of fundraisers must be held accountable for compliance with the fundraising requirements.

2022.06: Management Oversight

Proper management oversight was not exercised by the principal during the administration of the school activity funds during the audit period. All findings identified in the previous audit are repeated in this audit report.

According to the APM, the principal is the fiduciary agent for student activity funds. In this role, the principal is the person responsible for ensuring that these funds are administered in accordance with PGCPs policies and procedures and spent so as to provide the maximum benefit possible to the students. It is also important that the principal, who is ultimately responsible for these funds, be aware that the success of the internal control system rests largely with them.

Recommendation: The current principal should carefully review the policies and procedures as defined in APM and should be consistently involved in the daily operations as it relates to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these four basic principles:

- ❖ **Clearly defined lines of authority and responsibility;**
- ❖ **Segregation of duties;**
- ❖ **Maintenance of adequate documents and records;**
- ❖ **Limited access to assets; and**
- ❖ **Independent checks on performance**

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Kenmoor Middle School was issued for the period ended June 30, 2019. During that period the principal was in this current position; however the recordkeeping staff's tenure began July 1, 2021. The previous audit report included 6 findings, all of which are repeated in the current audit report. The following findings were noted as a result of the previous audit and the current status is indicated below.

- **Mismanagement of Funds Received** - The condition still exists. **See Finding 2022.01** *regarding Mismanagement of Funds Received.*
- **Mismanagement of Disbursements** - The condition still exists. **See Finding 2022.02** *regarding Mismanagement of Funds Received.*

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- **Financial Reporting** - The condition still exists. **See Finding 2022.03** regarding *Delinquent Monthly Bank Reconciliations*.
- **Administration of Voided Checks** - The condition still exists. **See Finding 2022.04** regarding *Administration of Voided Checks*
- **Inappropriate Account Classifications** - The condition still exists. **See Finding 2022.02** regarding *Mismanagement of Disbursements*
- **Year-End Monetary Transmittal Form Envelope Submission Procedures Not Followed** - The condition still exists. **See Finding 2022.01** regarding *Mismanagement of Funds Received*.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Kenmoor MS
Response Date: February 28, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01: Mismanagement of Funds Received</u>	<p>The following steps must be taken to improve the management of collection:</p> <p>A. The principal should contact the PTSA and attempt to have the check re-issued. Staff members must be reminded of their responsibility to complete a MTF for any collection and remit the funds to the recordkeeping staff promptly for verification and deposit.</p> <p>B. The principal must review the recordkeeping staff's responsibilities and ensure that specific time is allotted each day to facilitate timely deposit of funds as required.</p> <p>C. The principal should consider issuing information to staff members reminding them of the appropriate way to correct information on the MTF. The</p>	Partially concur	<p>I contacted the PTSA And they will reissue the check to the school.</p> <p>Staff understand the steps to ask for monies by filling out the MTFs collecting the money and immediately returning it to the book keeper.</p> <p>B. Principal meets with book keeper daily to make sure that deposits are done in a timely manner</p> <p>C. Principal and book keeper have met with the staff and gone over the appropriate ways to use the MTFs. Our book keeper is very attentive to details now.</p> <p>D.I will make sure to choose another AP to be responsible for</p>	November staff meeting	Implemented

Principal Signature _____

Date _____

		<p>recordkeeping staff should be held accountable for compliance.</p> <p>D. The principal should designate a secure location where year-end MTF remittances will be stored and are retrievable during the audit process. The administrator responsible for year-end MTF collection must be reminded that sealed, signed envelopes obtained from staff members must be submitted to the principal and kept in a location that is not accessible to the recordkeeping staff.</p>		<p>MTFs this year at the end of the year.</p> <p>The staff knows that the envelopes should be sealed signed and given to the AP.</p>		
2.	<p><u>2022.02</u> <u>Mismanagement</u> <u>of Disbursements</u></p>	<p>The following steps should be taken to improve the management of disbursements:</p> <p>A. The principal must perform a thorough review of SFEFs submitted for approval to ensure that they are entirely completed prior to approval.</p> <p>B. The principal must instruct the recordkeeping staff to discontinue using outdated SFEFs and replace with the current version to ensure that all required fields are completed as required during the approval process.</p>	Partially concur	<p>I have been reviewing the SFEF forms on regular basis since the audit.</p> <p>We are in the process of using the 2018 version and will inquire of there are newer versions that should be used.</p> <p>I work very well with our record keeping person and I will hold him accountable for compliance of form usage.</p>	Daily	Implemented

Principal Signature _____

Date _____

		C. Recordkeeping staff should be held accountable for compliance.				
3.	<u>2022.03</u> <u>Delinquent</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The principal must initiate the process to request electronic bank statements to ensure that the recordkeeping staff is able to prepare the monthly bank reconciliations by the due date. Alternately, the principal should contact the bank to request a printout of the school's monthly bank statements to facilitate timely completion of monthly bank reconciliations.	Partially concur	We have finally gotten the password to access the electronic bank statements. I understand that it might change because we have moved banks. I have contacted the bank to give us a printed copy when we could not access the bank statement. We are working on making sure that we complete the bank reconciliations in a timely manner	Monthly but specifically in November and on	Implemented
4.	<u>2022.04:</u> <u>Administration of</u> <u>Voided Checks</u>	The principal must carefully review the check folder to ensure that all check are voided as required.	Partially concur	Our record keeper is very aware of that procedure and he will follow it.	Intimal meeting in September	Implemented
5.	<u>2022.05:</u> <u>Unapproved</u> <u>Fundraisers</u>	The principal must issue a memorandum reminding fundraiser sponsors of the requirement to obtain approval from the principal prior to initiating fundraisers. Sponsors of fundraisers must be held accountable for compliance with the fundraising requirements.	Do not concur	I have reminded the music department and SGA (since they are the only ones that fundraise) of the procedure and to make sure that they obtain approval before they fundraise.	None this year	Implemented
6.	<u>2022.06:</u> <u>Management</u> <u>Oversight</u>	The current principal should carefully review the policies and procedures as defined in APM and should be consistently involved in the daily operations as it relates to the	Partially concur	Again I meet with the record keeper every day at the end of the day. I will clarify who signs in my absence for me. There are only 3 people that have access to the	daily	Implemented

Principal Signature _____

Date _____

		<p>administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these four basic principles:</p> <ul style="list-style-type: none"> ❖ Clearly defined lines of authority and responsibility; ❖ Segregation of duties; ❖ Maintenance of adequate documents and records; ❖ Limited access to assets; and ❖ Independent checks on performance 		<p>checking account and we have two signers at once. We have gone over the 4 basic principals weekly.</p>		
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Principal Signature _____

Date _____