



March 11, 2021

MEMORANDUM

To: Ava Tasker-Mitchell, Ph. D, Instructional Director
Cluster 1

Ursula Golladay, Principal
Bond Mill Elementary School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for July 1, 2016 through December 31, 2020

An audit was completed on the financial records of **Bond Mill Elementary School** for the period July 1, 2016 through December 31, 2020. 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 **April 12, 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. 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; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@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
Michael Herbstman, Chief Financial Officer
James Dougherty, Esq., Director, Financial Services
Kassandra Lassiter, Ed. D., Associate Superintendent, Elementary Schools
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, School Activity Fund Support Specialist
Suzann King, Esq., Executive Director, Board of Education
Janice Walters-Semple, CPA, Supervisor Internal Audit
Rhonda Carter, Internal Auditor II

Internal Audit Report

**Bond Mill Elementary School
School Activity Funds**

For the Period Ended December 31, 2020

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

Table of Contents

INTERNAL AUDITOR’S REPORT 2
SUMMARY 3
OBJECTIVES 3
SCOPE 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS 7
ACKNOWLEDGEMENT 8

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Bond Mill Elementary School for the period July 1, 2016 through December 31, 2020. Bond Mill 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 (AICPA) 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;*
- *Administration of Voided Checks;*
- *Delinquent Monthly Bank Reconciliation; and*
- *Vending Machine Contract*

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 (APM) for SAF.

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 December 31, 2020.



Michele Winston, CPA, Director
Internal Audit

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

SUMMARY

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Bond Mill Elementary School for the period July 1, 2016 through December 31, 2020. 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 (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes **4** findings that occurred under the leadership of the current and former principals. Specifically, the current principal is responsible for **3** of the reported findings. 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 December 31, 2020. 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.

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2021.01: Mismanagement of Funds Received

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

- A. *Delinquent Deposits* – There were **11** instances where deposits were not made in a timely manner. The range of delinquency was between 3 and 17 days.
- B. *Monetary Transmittal Form Submission Process* - There were **2** instances in FY 2019 and **1** instance in FY 2020 where yellow MTF remittances were not maintained in staff members' end-of-year MTF envelopes in accordance with the MTF instructions.
- C. *Support for Transfer of Funds Received* – There were **5** instances where fund transfers were not properly reviewed and approved in accordance with the requirements of the APM. The Journal Entry Proof Sheets were not approved as required in these instances. Additionally, 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. After approving an MTF, the bookkeeper is required to return the yellow MTF remittance copy to the originator. Prior to departing the school at year-end, faculty and program managers are required to submit the pink and yellow copies of the MTFs in sealed signed envelopes to the designated administrator.
- 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 required to be documented on the Fund Transfer Journal Entry Proof Sheet. Also, Section 6.12 requires all SAF records to be retained for a period of **7** years and or until audited, including the current fiscal year.

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

The recordkeeping staff was new to the position and did not receive training to obtain access to the SFO Accounting system. Also, adequate internal controls were not established to ensure timely deposits, compliance with MTF envelope submission and administration of journal entries in accordance with the APM requirements.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Delinquent deposits of funds impact the accuracy of financial reporting upon which administrators rely to make financial decisions. The audit trail for determining that all SAFs collected were subsequently remitted and deposited is compromised when support for collection and transfer of funds are not properly supported or approved.

Recommendation: The principal must establish internal controls to ensure that funds received are processed in accordance with the APM by performing the following:

- 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**. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- B. The designated administrator must review MTF remittances against the *Receiptee History Report* to ensure that both copies of pink and yellow MTF remittances are included in the MTF envelopes prior to the signing and sealing of the MTF envelopes.
- C. Internal controls must be established to ensure that transfers between restricted fund accounts are only authorized if reviewed and approved by the principal and copies of the Fund Transfer Journal Entry Proof Sheet is maintained to substantiate the transactions.

2021.02: Administration of Voided Checks

The following exceptions pertaining to administration of checks were noted:

- There was **1** instance where a check was not properly voided by removal of the signature line. This voided check was also not entered in the SFO accounting system.
- There were **2** instances where supporting documentation for voided checks could not be located to ensure the checks were voided in accordance with BOE policies and procedures.

According to the APM, all voided checks must be entered in SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

to approved SFEFs or Void Check Proof Sheets. All checks are required to be included and filed as part of the financial records.

Reportedly, the former recordkeeping staff did not follow established internal controls relative to administration of checks to ensure removal of the signature line and properly entering the one voided check in the SFO accounting system. The former recordkeeping staff did not keep an adequate filing system to ensure supporting documentation for all voided checks was maintained.

Mismanagement of voided checks constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to properly void checks could result in unauthorized negotiation of checks.

Recommendation: 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 when voided. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant with the requirements for processing voided checks.

2021.03: Delinquent Monthly Bank Reconciliation

Monthly bank reconciliations were not performed by the 15th of each month as required. There were 2 instances where the bank account was **not** reconciled. The range of delinquency was 8 and to 36 days.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal is required to forward the documents to the bookkeeper for reconciliation. The bookkeeper is required to complete the reconciliation within 7 days after receiving the statement from the bank. Typically, this process is required to be completed by the 15th of each month. The completed bank reconciliation should be returned to the principal every month for review and approval.

Reportedly, the recordkeeping staff was new to the position, did not have access to the SFO Accounting system, and had not yet received official training from the Accounting and Financial Reporting Office to adequately fulfill the duties and responsibilities of the recordkeeping position. Delinquent bank reconciliations impact the timeliness for identifying timing differences.

Recommendation: The principal must establish financial reporting procedures to ensure that monthly bank reconciliations occur by the 15th of each month and are properly reviewed and approved as required.

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

2021.04: Vending Machine Contract

The school operated a soda vending machine during the audit period. A current signed contract stipulating commissions due the school and frequency of commissions was not maintained on file.

According to the APM, Section 9.8, *Vending Machine Sales*, all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency these commissions are remitted.

The principal did not ensure that the school maintained an annual contractual agreement for vending services on file. In addition, the recordkeeping staff did not receive a timely response from the vendor to obtain an updated vending machine contract.

Due to the nonexistence of a valid contractual agreement for vending services, the BOE cannot determine if the school is deriving maximum benefits from the operation of the vending machine.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Bond Mill Elementary School was issued for the period ended November 30, 2015. During that period, neither the principal nor the recordkeeping staff were in their current positions. The previous audit report included **3** reportable conditions, of which **1** is repeated in the current audit report. The following findings were noted as a result of the prior audit, and the current status is indicated below:

- **Mismanagement of Disbursements** – Controls appear to be working.
- **Year-End Monetary Transmittal Form Procedures Not Followed** – Condition still exists. See Finding 2021.01, *Mismanagement of Funds Received: Monetary Transmittal Form Submission Process*.
- **Fundraiser Forms Not Completed** – Controls appear to be working.

Bond Mill Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended December 31, 2020

ACKNOWLEDGEMENT

We would like to thank the Principal and staff of Bond Mill Elementary School for their cooperation and assistance extended during the audit.

Prince George's County Public Schools

Internal Audit Department

School/Office: Bond Mill ES

Response Date April 12, 2021

	Findings	Recommendations	Concur NonConcur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
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Principal Signature Ursula A. Golladay

Date April 13, 2021

1.	<u>2021.01</u> <u>Mismanagement of</u> <u>Funds Received</u>	<p>The principal must establish internal controls to ensure that funds received are processed in accordance with the APM by performing the following:</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. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.</p> <p>B. The designated administrator must review MTF remittances against the <i>Receiptee History Report</i> to ensure that both copies of pink and yellow MTF remittances are included in the MTF envelopes prior to the signing and sealing of the MTF envelopes.</p>	Concur	<p>A & B: A monthly meeting will occur with the record keeping staff. At this meeting we will</p> <ul style="list-style-type: none"> • review deposit records to ensure that they are deposited on a daily basis. In addition, • we will review MTF remittances against the Receiptee History Report to ensure both pink and yellow remittances are included in the MTF envelopes. • We will send out an reminder email about this process to staff. <p>C. The principal will review and approve each Fund Transfer Journal Entry Proof Sheet each time</p>	4/16/21	Implemented
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Principal Signature Ursula A. Golladay

Date April 13, 2021

		C. Internal controls must be established to ensure that transfers between restricted fund accounts are only authorized if reviewed and approved by the principal and copies of the Fund Transfer Journal Entry Proof Sheet is maintained to substantiate the transactions.	concur	funds are transferred between restricted accounts before approval.		
2.	<u>2021.02 Administration of Voided Checks</u>	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 when voided. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant with the requirements for processing voided checks.	concur	The recordkeeping staff & administration will meet monthly. During this meeting we will establish a reoccurring agenda item where we review the importance of the process of entering in checking into SFO that are voided.	4/16/21	Implemented
3.	<u>2021.03 Delinquent Monthly Bank Reconciliation</u>	The principal must establish financial reporting procedures to ensure that monthly bank reconciliations occur by the 15 th of each month and are properly reviewed and approved as required.	concur	I will place a calendar reminder on my google calendar to remind myself that the bank reconciliations should occur by the 15 th of each month, reviewed and approved.	4/16/21	Implemented
					4/16/21	Implemented

Principal Signature _____

Date April 13, 2021

4.	<u>2021.04: Vending Machine Contract</u>	The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with	concur	I will review contracts at our Spring recordkeeping/administration meeting to ensure contracts are on file. If not, we will identify an		
		BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract.	concur	alternate vending company who provides a contract.		

Principal Signature Ursula A. Golladay

Date April 13, 2021

Principal Signature Ursula A. Golladay

Date April 13, 2021