



December 11, 2020

MEMORANDUM

To: Ebony Cross Shields, Instructional Director
Cluster 6

Josette Moise, Principal
Dodge Park Elementary School

From: **Michele Winston**, CPA
Director Internal Audit

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

An audit of the financial records of **Dodge Park Elementary School** was conducted for the period July 1, 2016 through August 31, 2020. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As the principal of the school, you will be responsible for preparing an action plan by **January 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. 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; Katrina Greene, Student Activity Fund Support Specialist: katrina.greene@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enc.

cc:

Alvin Thornton, Ph. D., Chairman, Board of Education
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Members, Board of Education
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Internal Audit Report

Dodge Park Elementary School
Student Activity Funds

For the Period Ended August 31, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Dodge Park Elementary School for the period July 1, 2016 to August 31, 2020. Dodge Park 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:

- *Drop Safe;*
- *Administration of Monetary Transmittal Forms Log;*
- *Inadequate Approval of Fund Transfers;*
- *Inappropriate Check Signers;*
- *Monthly Reconciliations; and*
- *Record Retention*

Individually or in the aggregate, these findings resulted in 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended August 31, 2020.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of student activity funds (SAF) for Dodge Park Elementary School for the period July 1, 2016 to August 31, 2020.

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 (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 review of selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 to August 31, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01: Drop Safe

The school has a drop safe; however, its contents are not accessible because the principal does not have the combination. Additionally, the safe is not accessible for staff members to drop funds in the recordkeeping staff's absence. Funds were secured in a locked closet by the principal.

According to the APM, Section 4.5.2.2 (2), *Guidelines for Bank Deposits*, depository (drop) safes are required for every school. The safe should be bolted to the floor and in a location accessible to staff which will facilitate remittance of funds, even if the bookkeeper is unavailable.

According to the principal, the previous recordkeeping staff changed the passcode to the safe and never shared the combination with her. The previous recordkeeping staff tenure ended in October 2019.

BOE policies and procedures as established in the APM were not followed. Internal controls relative to securing funds was compromised which increased the potential for loss of assets.

Recommendation: The principal and current recordkeeping staff must gain access to the current safe as soon as possible by reaching out to Building Services or a locksmith to restore access to the safe. The drop safe should be placed in an area accessible to staff to facilitate remittance of funds when the recordkeeping staff is not available.

2021.02: Administration of Monetary Transfer Form Logs

The 2019 MTF Log contained incorrect numbering. There were several instances where there were gaps in the MTF numbering; some MTF numbers were not accounted for. In addition, the FY 2017 MTF log did not include return dates in several instances. The FY 2020 MTF log was not available for review.

The APM Section 4.5.2.2 Procedures: 1. Collecting Funds: Completing the Monetary Transmittal Form (MTF), states:

- “Each school is issued a unique, numerically sequenced packages of MTFs by Internal Audit, as needed. The bookkeeper is responsible for accounting for all forms issued to the school.”

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- “An MTF log is required and maintained by the bookkeeper to include a numerical list of the MTF’s, the name of individuals and dates the forms were issued, the date returned to the bookkeeper, and the total amount of the MTF.”

Reportedly, the school’s recordkeeping staff did not follow the format for the MTF Log as outlined in the APM. The school did not have a recordkeeping staff for the last 6 months of FY 2020; therefore, records were not properly maintained. Lastly, the previous recordkeeping staff did not provide oversight to ensure that the 2017 MTF Log was properly completed. Failure to maintain the MTF log as required removes additional evidence to support collection and to account for MTFs issued to staff members.

Recommendation: The school’s record keeping staff should familiarize themselves with the guidelines for properly maintaining the MTF Log as outlined in the APM. The MTF Log should be updated to include names of individuals and dates the forms were issued, the date returned to the bookkeeper, and the total amount of the MTF. The record keeping staff should also ensure the numbering on the MTF Log is correct and that MTFs are distributed in sequence. The principal should provide oversight to ensure the MTF Log is properly maintained.

2021.03: Inadequate Approval of Fund Transfers

There were **16** instances where the principal did not sign the Fund Transfer Journal Entry Proof Sheet as evidence of approval of the transfers.

The APM Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states, “Transfers between restricted accounts are only authorized if reviewed and approved by the principal.”

The principal was unaware of the transfer approval requirements as outlined in the APM. Funds transferred between restricted accounts without the principal’s approval can result in misuse of school funds and inaccurate reporting of the school’s financial information, which is relied upon for fiscal decisions. The school can also be vulnerable to insolvency resulting from inappropriate transfers.

Recommendation: The principal must read the section of the APM that addresses fund transfers to ensure that transfers are performed in accordance with the requirement of the APM. Further, internal controls relative to the journal entry approval must be implemented to reduce the risk of posting fund transfers journal entries without prior approval.

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2021.04: Inappropriate Check Signers

The school only 2 authorized checks signers for the last 7 months of the audit period. The previous recordkeeping staff left the school in December of 2019 and the new recordkeeping staff tenure began in July of 2020. The new recordkeeping staff was not added as the 3rd check signer before the end of the audit period.

The APM Section 4.2.2, *Bank Account Procedures* states that 3 authorized signers are required on the checking account (Principal, Bookkeeper, and another administrator). The principal and bookkeeper should be the primary signers on the account. The third should be an administrator (i.e., a vice-principal, teacher in charge or wing coordinator) who signs checks in one of the signatories' absence.

The current recordkeeping staff mentioned that because of turnover in the recordkeeping staff position, the process of updating the bank signature card wasn't done immediately. The school changed 3 recordkeeping staff within a 10 month period.

When 3 authorized check signers are not assigned, checks cannot be appropriately signed if one of the check signers is absent. Furthermore, a check signer cannot sign their own reimbursement checks. Therefore, if an authorized check signer is absent and there are only 2 check signers, then the timeliness of reimbursement is affected.

Recommendation: The principal must immediately add the current recordkeeping staff as an authorized check signer. The principal must ensure there are 3 authorized check signers on the school's bank card to properly authorize checks. The Principal should contact the Treasury Operations Office for assistance with updating this information on the school's bank account.

2021.05: Monthly Reconciliations

There were 3 instances where the school failed to complete the monthly bank reconciliations by the 15th of the subsequent month. Furthermore, the school failed to complete the August 31, 2020 reconciliation. As a result, this report was not available for Internal Audit review.

The APM Section 5.1.2 *Procedures: Monthly Reconciliations and Financial Reporting* states, that the reconciliation should be completed by the bookkeeper within 7 days after receiving the statement from the bank. Typically, the reconciliation process should be completed by the 15th of each month. The completed reconciliation should be forwarded to the principal every month for review and approval.

The recordkeeping staff noted an oversight on the 3 delinquent monthly reconciliations. The uncompleted reconciliation was to be performed by Accounting and Financial Reporting Office

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since the newly hired recordkeeping staff had not received training. The August 31, 2020 bank reconciliation is still outstanding as of December 10, 2020. Failure to complete monthly reconciliations causes the school to miss discrepancies that may occur from month to month.

Recommendation: The Accounting and Financial Reporting Office should provide training to the new recordkeeping staff as soon as possible. The principal should provide oversight to ensure monthly reconciliations are reviewed and signed by the 15th of the subsequent month of each period.

2021.06 Record Retention

The following financial records were not made available for review during the audit:

- **10 Monetary Transfer Forms from the End of year MTF Envelopes for FY 2020;**
- **4 Receipt Records from FY 2020;**
- **1 Disbursement Record from FY 2020; and**
- **22 Journal Entry Funds Transfer Records.**

The APM provides the following guidelines regarding records management:

Section 6.12 Record Retention, requires SAF records to 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.”

The principal made attempts to locate files from the previous recordkeeping staff without success. Also, the absence of the recordkeeping staff for the last 7 months contributed to insufficient records management.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal must establish a records management system to ensure that financial records are properly maintained and retained for the stipulated period of 7 years and/or until audit in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Recordkeeping staff should be held accountable for compliance.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Dodge Park Elementary School was issued for the period ended August 31, 2014. During that period, the principal and the recordkeeping staff has changed. The previous audit report included 2 reportable conditions, which are not repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Incomplete Disbursement Documentation** – Controls appear to be working.
- **Fundraiser Forms** – Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Dodge Park Elementary School for their cooperation and assistance during the audi

**Prince George's County Public Schools
Internal Audit Department
School/Office: Dodge Park ES**

Response Date January 12, 2021

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2021.01: Drop Safe</u>	The principal and current recordkeeping staff must gain access to the current safe as soon as possible by reaching out to Building Services or a locksmith to restore access to the safe. The drop safe should be placed in an area accessible to staff to facilitate remittance of funds when the recordkeeping staff is not available.	concur	Safe was removed from the vault and placed in the office in a visible corner for access by all staff A work order was placed for a locksmith Building services need to be contacted to open the safe. If unable to open a new safe will be ordered by Wednesday January 6.	November 2020	Partially implemented
2.	<u>2021.02: Administration of Monetary Transfer Form Logs</u>	The school's record keeping staff should familiarize themselves with the guidelines for properly maintaining the MTF Log as outlined in the APM. The MTF Log should be updated to include names of individuals and dates the forms were issued, the date returned to the bookkeeper, and the total amount of the MTF. The record keeping staff should	concur	The school's record keeping staa was familiarized with the guidelines for properly maintaining the MTF log . The MTF form was updated to include the following: MTF Number, Date received from bookkeeper, Employees' name, purpose, date returned	September 30, 2020	Implemented

Principal Signature Josette H. Moise

Date: 01-05-2020

		also ensure the numbering on the MTF Log is correct and that MTFs are distributed in sequence. The principal should provide oversight to ensure the MTF Log is properly maintained.		to bookkeeper, amount date of deposit and comments		
3.	<u>2021.03:</u> <u>Inadequate Approval of Fund Transfers</u>	The principal must read the section of the APM that addresses fund transfers to ensure that transfers are performed in accordance with the requirement of the APM. Further, internal controls relative to the journal entry approval must be implemented to reduce the risk of posting fund transfers journal entries without prior approval.	Concur	Mrs Green trained the record secretary on ways to complete the transfer form to request approval from the principal. A meeting was held with the record secretary to review APM/SAF procedures requesting approval of principal prior to any transfers. A note book has been developed by the record secretary to file all signed transfer forms and this notebook will be kept in the vault	As of November 2020	Implemented
4.	<u>2021.04:</u> <u>Inappropriate Check Signers</u>	The principal must immediately add the current recordkeeping staff as an authorized check signer. The principal must ensure there are 3 authorized check signers on the school's bank card to properly authorize checks. The Principal should contact the Treasury Operations Office for assistance with updating this information on the school's bank account.	Concur	I emailed the signed signature cards to Ms Darlene Jones on November 16. Ms Wilson, AP, Meadows, Secretary II, and Myself signed the new signature card and scanned it back to Ms Jones- All checks require 2 signatures	November 16. 2020	Implemented

Principal Signature Josette H. Moise

Date: 01-05-2020

5.	<u>2021.05: Monthly Reconciliations</u>	The Accounting and Financial Reporting Office should provide training to the new recordkeeping staff as soon as possible. The principal should provide oversight to ensure monthly reconciliations are reviewed and signed by the 15 th of the subsequent month of each period.	Concur	Ms Meadows was trained by Ms. Green and completed all financial report up to date	December 15, 2020	Implemented
6.	<u>2021.06 Record Retention</u>	The principal must establish a records management system to ensure that financial records are properly maintained and retained for the stipulated period of 7 years and/or until audit in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Recordkeeping staff should be held accountable for compliance.	Concur	The cleaning of the vault will begin on Wednesday and the secretary team will work to file the audit files in chronological order.	Wednesday July 06, 2020	Implemented

Principal Signature Josette H. Moise

Date: 01-05-2020