

October 22, 2020

MEMORANDUM

To: Susan Holiday, M. Ed., Instructional Director
Cluster 2

Renee Jones, Principal
Kingsford Elementary School

From: Michele Winston, CPA,
Director Internal Audit

Re: Financial Audit for July 1, 2017 to August 31, 2020

An audit was completed on the financial records of Kingsford Elementary School for the period July 1, 2017 to July 31, 2020. The audit indicates that the school's internal controls require significant improvement to be in full compliance with the Accounting Procedures Manual 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 principal of the school, you will be responsible for preparing an action plan by **November 23, 2020** 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 the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

cc: Alvin Thornton, Ph. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Kassandra Lassiter, Ed. D, Associate Superintendent for Elementary Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Suzann King, Esq., Executive Director, Board of Education
Robin Welsh, Director of Monitoring, Accountability and Compliance
Janice Walters-Semple, CPA, Internal Audit Supervisor
Dan Reagan, Internal Auditor II

PBA

Internal Audit Report
Kingsford Elementary School
Student Activity Funds
For the Period Ended August 31, 2020

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 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	14
ACKNOWLEDGEMENT	14

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Kingsford Elementary School for the period July 1, 2017 to August 31, 2020. Kingsford 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 Governmental Accountability Office 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:

- *Funds Not Properly Recorded or Deposited;*
- *Mismanagement of Disbursements;*
- *Mismanagement of Monthly Financial Reporting;*
- *Excessive Spending in Restricted Accounts;*
- *Mismanagement of Journal Entries;*
- *Unpaid Bills Spreadsheet Not Properly Completed;*
- *Year-End Monetary Transmittal Form Procedures Not Followed;*
- *Voided Checks Not Properly Administered; and*
- *Fundraiser Forms Not Completed.*

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, the SAF referred to above, **requires significant improvement** to achieve 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

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for Kingsford Elementary School for the period July 1, 2017 to August 31, 2020.

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

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, 2017 to August 31, 2020. In addition, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Funds Not Properly Recorded or Deposited

Collections were not documented and deposited as required. On September 24, 2020, **\$399.00** in currency and a **\$50.85** check was found in the school's safe, without corresponding MTFs. These funds were mostly in envelopes with vague descriptions and included dates as early as 2017. The funds identified during the audit were deposited on September 29, 2020.

An envelope stated that funds of **\$176.40** were enclosed, in one instance; however, only **\$20.00** were found. The financial recordkeeping staff removed \$90 from the envelope in December 2019 to use as the change fund for a bookfair. Those funds were incorrectly accounted for as bookfair revenue. The financial recordkeeping staff stated that the remaining \$66.40 was commingled with the unidentified funds retrieved from the safe; however, there was no documentation to support that claim.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* includes the following provisions:

- A. All funds collected must be submitted 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. Further, funds should not be used to make change or pay expenses.
- B. Funds kept on-hand at the school awaiting deposit, must be kept in a secure location. A secure location is a locked fireproof safe, to which only the principal and bookkeeper has access to the contents. 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 submitting money, even if the bookkeeper is unavailable. A log should be maintained where staff members record their name and the date of the 'drop'. Funds should be sealed in an envelope with the completed, signed MTF enclosed. On the following day, the staff member dropping off funds should verify that the bookkeeper has a record of the deposit. Funds are prohibited from being dropped without an MTF.

The financial recordkeeping staff explained that staff members do not sign out MTFs prior to collecting funds. Collected funds are remitted to the front office by staff members who are then provided MTFs by the financial recordkeeping staff. Once the MTFs are completed, the financial recordkeeping staff makes a prompt bank deposit of those funds. However, when the financial recordkeeping staff is occupied with other front office duties, funds are received without completion MTFs and placed in the safe, with plans to complete the MTF process later.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

In these instances the follow-up never occurred, resulting in the undocumented funds being left in the safe.

The school does have a drop safe available for staff members to drop funds. According to the financial recordkeeping staff, the current drop safe is only used approximately 30% of the time for retaining funds. Moreover, despite trainings provided, staff members have not always followed the APM requirements. Funds were sometimes remitted to other front office staff or kept in classrooms.

The financial recordkeeping staff has never informed the principal of the issues regarding the established collection and drop safe procedures.

Ineffective internal controls over collections constitutes non-compliance with BOE policies and procedures. In addition, delinquent deposits present financial risk to the school. For instance, it could not be determined whether \$66.40 of funds was missing improperly accounted for. The practice of collecting funds without MTFs and failure to promptly make deposits with the financial institution provides a significant fraud risk.

Recommendation: The principal and the financial recordkeeping staff should develop and document new procedures for the collection, remittance, and timely deposit of funds. The new process should be specific to the responsibilities of the principal, financial recordkeeping staff, and staff members. Training should be provided to the staff members so that all funds remitted to the front office are already recorded on MTFs, ready for deposit, and are never stored overnight in the classroom.

Drop safe procedures should be updated to reflect the new MTF procedures. The principal and financial recordkeeping staff should work together to ensure that controls are consistently enforced.

Employee and Labor Relations Office should consider disciplinary action for the financial recordkeeping staff regarding the failure to properly safeguard funds during the audit period.

2021.02 Mismanagement of Disbursements

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

- A. ***Inadequate Support:*** There were **4** instances where no documentation was provided to validate the amounts for checks disbursed. There were **3** other instances where documentation was not sufficient to support the check amount.

- B. ***Inadequate Approvals:*** There were **9** instances where the principal did not provide proper pre-approval and/or approval for an expenditure. Included were **5** instances, where the principal did not sign the SFEF for either pre-approval or approval. The other

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

4 were instances where the principal's pre-approval was not made prior to the school's commitment of funds for the expenditure.

In addition, the financial recordkeeping staff did not properly indicate the amount of funds available for expenditures on the pre-approval section of the SFEF in 12 instances.

- C. ***Use of Non-Approved Vendors:*** There were 2 instances where reimbursements were made to staff for purchases made from vendors that were not approved by the BOE.
- D. ***Record Retention:*** There were 2 instances where checks and supporting documentation could not be found in the school file for review.
- E. ***Lack of Third Check Signer:*** As of October 1, 2020, date of fieldwork, the school had only two check signers – the principal and the financial recordkeeping staff.

The APM, Section 4.5.3, *Cash Disbursements*, includes the following provisions:

- A. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents are original cash register receipts, invoices, bills of sale, etc. Examples of documents that are not itemized invoices or receipts includes credit card receipts, statements, order confirmations, price quotes, and packing slips.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The SFEF has a section for the financial recordkeeping staff to indicate the amount of funds available and to verify that the vendor is approved.
- C. All checks must be written to an Approved/Active vendor in SchoolFundsOnline (SFO). At no time should staff reimbursements be used as means to make purchases from unapproved vendors.
- D. The APM, Section 6.12, *Record Retention*, states that all SAF records must be retained for a period of seven years. This includes checks and SFEFs.
- E. Administrative Procedure 4180, *School Bank Accounts: Opening of New Accounts and Changing of Signatures* states that three individuals should be designated as check signers on the school's bank account and are listed on the bank "Signature Card". The two standard check signers should be the school principal and bookkeeper/secretary. The third alternate check signer must be a Vice Principal or other school administrator.

The principal and financial recordkeeping staff were not completely familiar with the procedures outlined in the APM regarding cash disbursements. Specifically, they did not set up proper

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

controls to ensure that all expenditures were approved prior to the commitment of funds and that SFEFs were completed properly.

The financial recordkeeping staff stated that she was aware that checks had to be supported and documentation had to be maintained but has been forgetful of ensuring that documentation was always attached and maintained. Reportedly, staff members were only recently made aware by the bookkeeper that non-approved vendors could not be used when making school-related purchases.

The school changed assistant principals in July 2020 and had not informed Treasury Operations regarding need for a change in third check signer.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically, the absence of supporting documentation removes evidence that check amounts are appropriate. The use of non-approved vendors also increases fraud risk. The lack of effective record retention compromises the audit trail.

An effective pre-approval process ensures that all expenditures are appropriate and that all payment amounts can be covered by the balance in the relevant account. The school has a number of restricted account deficits due to funds being committed before a pre-approval process confirms that funds are available (*See Finding 2021.04*). For example, a **\$2,230.00** payment was made in August 2020 from a restricted account that did not have sufficient funds available. The SFEF did not indicate the funds available for the purchase and the principal did not review the SFEF as part of the pre-approval process.

Recommendation: The principal and current financial recordkeeping staff should immediately familiarize themselves with the procedures for expenditures as outlined in the APM. New processes should be developed and documented to ensure that expenditures are properly pre-approved, supported, and documented as required. Staff members should be trained on the requirement for expenditures to be made from approved vendors only and with documented pre-approval from the principal on the SFEF.

The principal and current financial recordkeeping staff should identify a third check signer and follow the guidance of Administrative Procedure 4180, *School Bank Accounts: Opening of New Accounts and Changing of Signatures* to be immediately added to the school's bank account.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

2021.03 Mismanagement of Monthly Financial Reporting

Bank reconciliations reviewed were prepared by the financial recordkeeping staff after the 15th of the following month in 8 of the 12 instances. The Principal did not review the reconciliation until after the 15th of the following month in 1 other instance.

The APM, Section 5.0, *Monthly Reconciliation and Financial Reporting*, states that the purpose of the bank reconciliations is to ensure that differences between the bank and SFO balances are due to timing differences, rather than error. Further, the principal is required to receive and approve the package of reports, to include the bank reconciliation and the Insolvency Report, by the 15th of each month.

Reportedly, due to competing priorities in the front office, the recordkeeping staff was not always able complete bank reconciliations timely. In addition, sometimes the recordkeeping staff forgot to forward the reports to the principal to facilitate timely review.

The bank reconciliation process is the most effective internal control to ensure that funds are properly deposited and recorded. Untimely preparation and review/approval of bank reconciliations constitute non-compliance with BOE policies and procedures and have increased financial risk to the school.

Recommendation: The current principal and current financial recordkeeping staff should ensure that reconciliations are completed and approved by the deadline each month (15th day following the end of the month). A set meeting should be scheduled and honored each month to provide the current principal and financial recordkeeping staff an opportunity to review the monthly financial reports timely and discuss other issues regarding the administration of SAF.

2021.04 Excessive Spending in Restricted Accounts

The school's chart of accounts includes 4 restricted fund accounts with deficits totaling **(\$966.37)** as of August 31, 2020. The following is a listing of accounts with deficits:

- 480.00 Yearbook: (\$46.18)
- 490.00: BOE to Reimburse (\$252.61)
- 450: Principal Sponsored Activities (PSA) (\$267.75)
- 565.00: Materials of Instruction: (\$399.83)

The APM Section 4.3, *Fund Accounts*, explains that restricted accounts contain all funds that are deposited into the SAF for a specific purpose and cannot be used for any other reason. Expenditures for all restricted accounts are therefore limited to the amount of funds collected for those activities.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

The APM, Section 9.6, PSA for Staff, states that discretionary expenditures incurred by the principal on behalf of school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances staff members' job performance. If the PSA account has a deficit, faculty spending must be ceased until the existing PSA deficit is resolved. Expenditures for authorized Principal-sponsored activities are restricted to the funds available from the following sources:

- 100% of Vending commission from machines located in the staff lounge
- 25% of student vending commission
- 15% of school-wide fundraiser profits, including picture commissions
- Up to 25% of senior class residual funds.

The principal and current financial recordkeeping staff confirmed that an effective pre-approval process for expenditures was not established at the school. As such, expenditures have been made without proper validation of available funds (*See Finding 2021.02*).

The Yearbook account was insolvent because of the recordkeeping staff's failure to promptly deposit funds (*See Finding 2021.02*). The deposit made on September 29, 2020 brought the account to solvency.

The financial recordkeeping staff was not fully aware of the difference between restricted and unrestricted accounts, and has charged many school-wide educational purchases to the restricted Materials of Instruction account, rather than the unrestricted Educational Materials account, which can be easily replenished by school-wide fundraiser and allotment accounts.

The ineffective management of restricted accounts constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Students are not receiving the maximum possible benefit of the resources that should have been available to them. In particular, over-spending out of the PSA fund account represents the use of student funds for staff purchases.

Recommendation: The financial recordkeeping staff should ensure that fund balances are included on all SFEFs when presented to the principal for pre-approval. The principal should review all requested expenditure balances carefully prior to pre-approval to ensure that account balances are sufficient to cover the anticipated costs (*See Finding 2021.02*).

The financial recordkeeping staff should familiarize themselves with the difference between restricted and unrestricted accounts so that expenditures can be properly accounted for and restricted accounts are not placed in insolvency status.

The financial recordkeeping staff should consult with the Accounting and Financial Reporting Office for support on resolving the account deficits.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

2021.05 Mismanagement of Journal Entries

The following exceptions pertaining to funds transfer journal entries were identified:

- A. There were **7** instances where restricted fund account transfers were made without appropriate approval from the principal.
- B. There was **1** instance where a duplicate transfer of \$22.84 was made from a fundraiser account to the PSA fund account.

The APM, Section 4.5, *Transfer of Funds*, states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. When expenditures are recorded in unrestricted accounts that lack a specific funding source, funds must be transferred from an unrestricted account that has revenue (e.g., fundraisers, allotment)

The APM, Section 9.6, PSA for Staff, states that discretionary expenditures incurred by the principal on behalf of school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances staff members' job performance. If the PSA account has a deficit, faculty spending must be ceased until the existing PSA deficit is resolved. Expenditures for authorized principal-sponsored activities are restricted to the funds available from the following sources:

- 100% of Vending commission from machines located in the staff lounge
- 25% of student vending commission
- 15% of school-wide fundraiser profits, including picture commissions
- Up to 25% of senior class residual funds.

Despite reminders each trimester by the Accounting and Financial Reporting Office, the financial recordkeeping staff was not completely aware of the procedures for funds transfers. Specifically, the principal and financial recordkeeping staff were not aware that restricted account expenditures needed to be limited to the revenues created in those accounts. The ineffective management of journal entries constitutes non-compliance with BOE policies and

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

procedures and increases financial risk to the school. Specifically, funds are not used for their intended purposes when they are inappropriately transferred.

Recommendation: The principal and financial recordkeeping staff should familiarize themselves with the requirements for processing transfers as outlined in the APM.

- A. The financial recordkeeping staff should ensure that all transfers are in compliance with the APM and the principal should provide oversight to the process.
- B. Expenditures should be accounted for in unrestricted accounts when appropriate. For instance, general educational purchases should be made in the unrestricted Educational Materials account, rather than the restricted Materials of Instruction account. An appropriate understanding of the chart of accounts will be beneficial in making those fiscal decisions.
- C. The financial recordkeeping staff should reverse the \$22.84 duplicate transfer to the PSA fund account.
- D. The principal and financial recordkeeping should request additional support from the Accounting and Financial Reporting Office relative to understanding and making journal entries.

2021.06 Unpaid Bills Spreadsheet Not Properly Completed

The financial recordkeeping staff did not accurately complete the Unpaid Bills Spreadsheet as part of the school's monthly financial report for August 2020. Check payments were included from August 2020, instead of September 2020, and the Open Invoice page was not included. Further, the amount from the Unpaid Bills Spreadsheet was not included in the August 2020 Insolvency Report.

The APM Section 5.2, *Financial Reporting Requirements*, states that the Insolvency Report should be completed monthly and requires the bookkeeper to manually record data to calculate the school's solvency. Completion of the monthly report requires the bookkeeper to manually calculate the value of unpaid bills that existed as of the end of each reporting period for both restricted and unrestricted funds.

The financial recordkeeping staff was not clear on the purpose of the Unpaid Bills Spreadsheet and how to accurately prepare this supporting report.

Failure to complete the Unpaid Bills Spreadsheet can affect the school's solvency calculation on a monthly basis. In addition, the principal and financial recordkeeping staff may be less aware of open invoices which can lead to untimely payments (*See Finding 2020.02*).

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

Recommendation: The principal and financial recordkeeping staff should familiarize themselves with the specific requirements for the Unpaid Bills Spreadsheet preparation as documented in the APM. A collaborative review of the open invoices file must be performed during the monthly financial reporting process to ensure the Unpaid Bills Spreadsheet is completed accurately and that the calculation is incorporated into the Insolvency Report calculations to properly determine the solvency status of the school.

2021.07 Year-End Monetary Transmittal Form Procedures Not Followed

The following exceptions pertaining to the end-of-year MTF procedures were identified:

- ***Missing Monetary Transmittal Form Envelopes:*** MTF envelopes for the 2017-2018 school year could not be located for review.
- ***Financial recordkeeping staff Access to Pink Copies:*** The financial recordkeeping staff's signature was noted on the pink MTF remittances for all **28** MTFs reviewed which compromised the staff members' initial record of collection.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO "*Receiptee History*" Report and submit it to the designated administrator, which cannot be the bookkeeper. This alerts the administrator, which MTF envelope packages to expect.

The designated administrator for the 2017-2018 school year has since retired and could not be reached to determine the location of those MTF envelopes.

The principal and financial recordkeeping staff have not established the MTF envelope submission process in compliance with the APM. Teachers do not sign out MTFs prior to collections, and therefore do not have the opportunity to retain their pink copies (*See Finding 2021.01*).

The ineffective year-end MTF envelope submission process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

Recommendation: The principal should establish an MTF envelope submission process to ensure that MTF envelopes are properly maintained by keeping a record of designated administrators each year, and collecting those envelopes if a designated administrator leaves the school.

As stated in Finding 2021.01, MTFs should be signed out by staff prior to collections, and pink copies should not be returned with the funds to the financial recordkeeping staff.

2021.08 Voided Checks Not Properly Administered

The following exceptions pertinent to voided checks were identified:

- There were **5** instances, where voided checks were not properly entered into SFO.
- There was **1** instance where a voided check was not properly defaced by removing the signature.
- There were **4** instances where voided checks could not be located for review.

The APM, Section 4.5.3, *Cash Disbursements*, states that voided checks must be defaced (by removal of the signature line) and filed in check number order with cancelled check images. All transactions must be entered into SFO.

Reportedly, the financial recordkeeping staff was not fully aware of the procedures for voiding checks. She was not aware that all voided checks had to be entered into SFO, and were not always diligent in defacing and filing voided checks. Failure to properly deface voided checks represents non-compliance with BOE policies and procedures and increases the risk of check fraud for the school.

Recommendation: The current financial recordkeeping staff must review Section 4.5.3 of the APM and follow the established guidance to properly deface, record, and file voided checks. The principal should provide oversight to the process.

2021.09 Fundraiser Forms Not Completed

The school conducted **15** school-wide fundraisers during the audit period. However, no Annual Fundraiser Summaries were developed.

The APM, Section 7.2.2, *Fundraising Procedures*, requires the principal to prepare annual reports summarizing all fundraising activities concluded during the year. The data in this annual

Kingsford Elementary School
Student Activity Funds
Internal Audit Report
For the Period Ended August 31, 2020

report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

The principal and current financial recordkeeping staff had not established an effective procedure regarding the completion of fundraiser forms. Failure to complete fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members.

Recommendation: The principal and current financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Kingsford Elementary School** was issued for the period ended June 30, 2014. There were 3 findings reported and 1 has been repeated. The principal and financial recordkeeping staff were not in their current positions in June 2014, but have been in place for the entire audit period of July 1, 2017 through August 31, 2020. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Inadequate Segregation of Duties** – Controls appear to be working.
- **School Safe Inaccessible to School Staff** – Condition still partially exists. **See Finding 2021.01** regarding *Funds Not Properly Recorded or Deposited*.
- **Incomplete Monetary Transmittal Form Log** – Controls appear to be working.

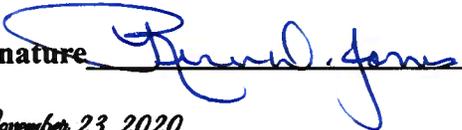
ACKNOWLEDGEMENT

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

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

Response Date November 23, 2020

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01 Funds Not Properly Recorded or Deposited</u>	The principal and the financial recordkeeping staff should develop and document new procedures for the collection, remittance, and timely deposit of funds. The new process should be specific to the responsibilities of the principal, financial recordkeeping staff, and staff members. Training should be provided to the staff members so that all funds remitted to the front office are already recorded on MTFs, ready for deposit, and are never stored overnight in the classroom.	Concur	<p>Establish Kingsford ES process that is aligned to MTF Process according to APM. Be sure to include the specific responsibilities of the principal, financial recordkeeping staff, and staff members. Submit the process to Mrs. Jones for approval.</p> <p>Create binder with a ledger to record:</p> <ul style="list-style-type: none"> ● Date MTF was given to teacher ● Amount of money collected ● Who verified the money - date ● Record date money was deposited. <p>Drop Safe for KES MTF SIGN OUT.xlsx (record of MTF signed out) MTF LOG DEPOSIT.xlsx (record of money collected and deposited in the</p>	<p>New procedures were developed & documented in November 2020</p> <p>New procedures were developed & documented in November 2020</p>	<p>*Partially Implemented</p> <p>Implemented</p> <p>*Partially Implemented</p>

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

			<p>bank) New Drop Safe Form.xlsx Photo of Drop Box Binder Photo of inside of Drop Box Binder</p> <p>Training staff on MTF process.</p> <ul style="list-style-type: none"> • Create agenda • Create sign in sheet <p>Staff Financial Training Agenda</p> <p>Check MyPPS for professional development related to this finding. Sign up. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance.</p>	<p>Principal Jones contacted Katrina Greene via email on November 11th to support Ms. Jackson's professional development.. She will provide professional development opportunities for Ms. Jackson starting in January</p>	<p>Not implemented</p>
--	--	--	--	--	------------------------

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

		<p>Drop safe procedures should be updated to reflect the new MTF procedures. The principal and financial recordkeeping staff should work together to ensure that controls are consistently enforced.</p> <p>Employee and Labor Relations Office should consider disciplinary action for the financial recordkeeping staff regarding the failure to properly safeguard funds during the audit period.</p>	Concur	<p>Clean out the area where the dropbox is located.</p> <p>Create a chart to document funds placed in the dropbox.</p> <p>Write step by step directions for those who will use the dropbox.</p> <p>Submit documents to Mrs. Jones for approval.</p> <p>Once approved, place documents in a binder. Place binder on top of the dropbox safe.</p> <p>Training of staff on new drop safe usage procedures.</p> <ul style="list-style-type: none"> • Create agenda • Create sign in sheet <p>Check MyPPS for professional development related to this finding. Sign up. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance.</p>		
2.	<u>2021.02 Mismanagement of Disbursements</u>	The principal and current financial recordkeeping staff should immediately familiarize themselves with the procedures for expenditures as outlined in the APM. New processes should be developed and documented to ensure that expenditures are properly pre-approved, supported, and documented as required. Staff members should be trained on the requirement for expenditures to be made from approved vendors only and with	Concur	Create a one pager that details the process (Before/During/After) for the teacher, record keeper, and principal. <u>Disbursement/Expenditure Process for KES</u>	New procedures were developed & documented in November 2020	*Partially Implemented

Principal Signature _____

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

	documented pre-approval from the principal on the SFEF.		Check MyPPS for training related to this finding. Sign up. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance upon completion.	Principal Jones contacted Katrina Greene via email on November 11th to support Ms. Jackson's professional development.. She will provide professional development opportunities for Ms. Jackson starting in January.	
	The principal and current financial recordkeeping staff should identify a third check signer and follow the guidance of Administrative Procedure 4180, <i>School Bank Accounts: Opening of New Accounts and Changing of Signatures</i> to be immediately added to the school's bank account.	Concur	Training provided to staff. Create agenda and sign in form. Identify date. Third check signer identify. Account Signature Card.pdf	New procedures were developed & documented in October 2020	Implemented

Principal Signature  _____

Date November 23, 2020 _____

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

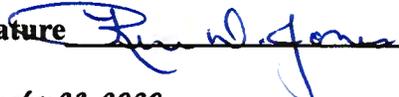
3.	<u>2021.03</u> <u>Mismanagement of</u> <u>Monthly Financial</u> <u>Reporting</u>	<p>The current principal and current financial recordkeeping staff should ensure that reconciliations are completed and approved by the deadline each month (15th day following the end of the month). A set meeting should be scheduled and honored each month to provide the current principal and financial recordkeeping staff an opportunity to review the monthly financial reports timely and discuss other issues regarding the administration of SAF.</p>	Concur	<p>Meetings have been established for the second Monday of each month. Evites sent. Meetings are scheduled for:</p> <ul style="list-style-type: none"> ● November 9th ● December 14th ● January 11th ● February 8th ● March 8th ● April 12th ● May 10th ● June 14th <p>Create a rolling agenda to assist you with facilitating this monthly meeting. The agenda should outline all topics/documents that need to be covered monthly.</p> <p>Monthly Financial Meeting For Kingsford ES</p> <p>Check MyPPS for training related to this finding. Sign up. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance upon completion.</p>	<p>New procedures were developed & documented in November 2020</p> <p>Principal Jones contacted Katrina Greene via email on November 11th to support Ms. Jackson's professional development.. She will provide professional development opportunities</p>	*Partially Implemented
----	---	---	--------	--	---	------------------------

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

					for Ms. Jackson starting in January.	
4.	<u>2021.04 Excessive Spending in Restricted Accounts</u>	<p>The financial recordkeeping staff should ensure that fund balances are included on all SFEFs when presented to the principal for pre-approval. The principal should review all requested expenditure balances carefully prior to pre-approval to ensure that account balances are sufficient to cover the anticipated costs (<i>See Finding 2021.02</i>).</p> <p>The financial recordkeeping staff should familiarize themselves with the difference between restricted and unrestricted accounts so that expenditures can be properly accounted for and restricted accounts are not placed in insolvency status.</p>	Concur	<p>Review the APM. Complete PD in Practice Reflection</p> <p>Check MyPPS for training related to this finding. Sign up. Print the sign up confirmation. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance upon completion.</p>	<p>New procedures were developed & documented in November 2020</p> <p>Principal Jones contacted Katrina Greene via email on November 11th to support Ms. Jackson's professional development.. She will provide professional development opportunities for Ms. Jackson starting in January.</p>	Implemented

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

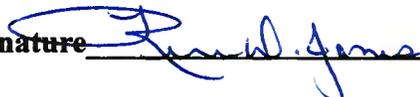
		The financial recordkeeping staff should consult with the Accounting and Financial Reporting Office for support on resolving the account deficits.		Contact the Accounting and Financial Reporting Office in order to determine next steps. Share next steps with Mrs. Jones.		Implemented
5.	<u>2021.05</u> <u>Mismanagement of Journal Entries</u>	<p>The principal and financial recordkeeping staff should familiarize themselves with the requirements for processing transfers as outlined in the APM.</p> <p>A. The financial recordkeeping staff should ensure that all transfers are in compliance with the APM and the principal should provide oversight to the process.</p> <p>B. Expenditures should be accounted for in unrestricted accounts when appropriate. For instance, general educational purchases should be made in the unrestricted Educational Materials account, rather than the restricted Materials of Instruction account. An appropriate understanding of the chart of accounts will be beneficial in making those fiscal decisions.</p> <p>C. The financial recordkeeping staff should reverse the \$22.84 duplicate transfer to the PSA fund account.</p>	Concur	<p>Check MyPPS for training related to this finding. Sign up. Print the sign up confirmation. Attend the training. Follow up with Mrs. Jones after the training. Print certificate of attendance upon completion</p> <p>Contact the necessary office in order to reverse the \$22.84 duplicate transfer to the PSA fund account. Document your communication with the office. Document that the task has been completed.</p>	<p>Principal Jones contacted Katrina Greene via email on November 11th to support Ms. Jackson's professional development.. She will provide professional development opportunities for Ms. Jackson starting in January</p> <p>As of Friday, November 20th Ms. Jackson was in communication with Katrina Greene working on a resolve</p>	*Partially implemented

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

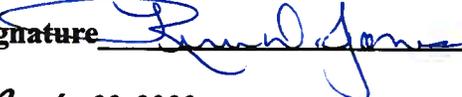
		D. The principal and financial recordkeeping should request additional support from the Accounting and Financial Reporting Office relative to understanding and making journal entries.		Contact the Accounting and Financial Reporting Office relative to understanding and making journal entries. Document your communication with the office. Schedule a meeting with Mrs. Jones to turnkey the information.		
6.	<u>2021.06 Unpaid Bills Spreadsheet Not Properly Completed</u>	The principal and financial recordkeeping staff should familiarize themselves with the specific requirements for the Unpaid Bills Spreadsheet preparation as documented in the APM. A collaborative review of the open invoices file must be performed during the monthly financial reporting process to ensure the Unpaid Bills Spreadsheet is completed accurately and that the calculation is incorporated into the Insolvency Report calculations to properly determine the solvency status of the school.	Concur	Create an agenda for monthly financial meeting. Time to review open invoices must be included on the agenda. Submit approval to Mrs. Jones for approval. Monthly Financial Meeting For Kingsford ES Resolved Journal Entries.pdf	New procedures were developed & documented in November 2020	Implemented
7.	<u>2021.07 Year-End Monetary Transmittal Form Procedures Not Followed</u>	The principal should establish an MTF envelope submission process to ensure that MTF envelopes are properly maintained by keeping a record of designated administrators each year, and collecting those envelopes if a designated administrator leaves the school. As stated in Finding 2021.01, MTFs should be signed out by staff prior to collections, and pink copies should not be returned with the funds to the financial recordkeeping staff.	Concur	Establish a location in the vault to maintain MTF envelopes. This information will be added to Jackson's MTF plan. MTF SIGN OUT.xlsx	New procedures were developed & documented in November 2020	Implemented

Principal Signature 

Date November 23, 2020

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.

8.	<u>2021.08 Voided Checks Not Properly Administered</u>	The current financial recordkeeping staff must review Section 4.5.3 of the APM and follow the established guidance to properly deface, record, and file voided checks. The principal should provide oversight to the process.	Concur	Meet with the Principal to review this portion of APM. Outline next steps.	New procedures were developed & documented in November 2020	Implemented
9.	<u>2021.09 Fundraiser Forms Not Completed</u>	The principal and current financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal.	Concur	Create a one pager that details the duties of all involved in the fundraiser process. What does this process look like before, during and after for the teacher, record keeper, & principal Fundraiser Process for KES	New procedures were developed & documented in November 2020	*Partially Implemented

Principal Signature  _____

Date November 23, 2020 _____

*Action items marked are partially implemented due to not being fully back at school to implement the processes however the planning and preparation for the action is complete.