



September 1, 2021

MEMORANDUM

To: Sheena Hardy, Instructional Director
Cluster 3

Veda McCoy, Ed. D., Principal
Avalon Elementary School

From: Michele Winston, CPA, Director,
Internal Audit

Re: Financial Audit for July 1, 2016 through June 30, 2021

An audit was completed on the financial records of **Avalon Elementary School** for the period July 1, 2016 through June 30, 2021. The audit indicates 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 **October 1, 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; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

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

Internal Audit Report
Avalon Elementary School
School Activity Funds
For the Period Ended June 30, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Avalon Elementary School for the period July 1, 2016 through June 30, 2021. Avalon Elementary School's Principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards and accordingly, included examining on a test basis, evidence supporting SAF and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following findings:

- *Mismanagement of Disbursements;*
- *Mismanagement of Funds Received; and*
- *Delinquent Monthly Bank Reconciliations*

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 June 30, 2021.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

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

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes **3** findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

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

SCOPE

The audit was based on our review of bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through June 30, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period. This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2022.01: Mismanagement of Disbursements

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

- A. ***Inadequate Approval*** – There was **1** instance where expenditures were not adequately approved. The School Funds Expenditure Form (SFEF) was approved by the principal after the purchase was made.
- B. ***Corrections Made with White-Out*** - There were **4** instances where white-out correction fluid was used to make corrections on the SFEF.

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

- A. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal.
- B. Correcting errors using correction fluid, “whiteout” or any other method that obscures the original entry on the form is not permitted.

The principal and recordkeeping staff did not consistently follow established internal controls relative to management of disbursements. A staff member obtained approval of an expenditure without prior approval from the principal as required. The recordkeeping staff did not communicate the procedure for making corrections on the SFEF to staff members.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to adequately approve expenditures could result in payment for goods and services that are not received. Failure to properly document corrections removes the audit trail to establish accountability.

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

- A. The principal must ensure that staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance.
- B. The recordkeeping staff must ensure that corrections made to SFEEFs are documented properly with emphasis on communication to staff that the use of white-out correction fluid is prohibited.

2022.02: Mismanagement of Funds Received

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

- A. ***Delinquent Deposits*** – There were **4** instances where deposits were not made in a timely manner. The range of delinquency was 4 to 17 days.
- B. ***Completion of Monetary Transmittal Forms*** - There were **2** instances where Sections 1 and 2 of the MTF did not agree.
- C. ***Support for Transfer of Funds Received*** – There were **13** 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. The recordkeeping staff is required to make deposits of all funds received at least every other day. However, no more than **\$250.00** should be kept in the building overnight. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTF's. The exact make-up of the funds and the total amount being submitted to the Bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report.

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- 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.

BOE policies and procedures as established in the APM were not consistently followed. Due to the former bookkeeper's leave of absence, the principal and other school staff assumed recordkeeping responsibilities and performed them to the best of their knowledge with assistance from the Accounting and Financial Reporting office. Verification and maintenance of MTFs by school staff other than the bookkeeper was not adequately performed to ensure Sections 1 and 2 of the MTFs agreed. The Fund Transfer Journal Entry Proof Sheets were not consistently completed and maintained in the files by the former recordkeeping staff in accordance with APM requirements.

Failure to adequately perform bookkeeping responsibilities over the processing of funds received and transfer of funds constitutes noncompliance with the requirements of the APM. Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to properly document MTFs impacts the accuracy of financial records. Failure to complete transfers and maintain documentation in accordance with the requirements of the APM could lead to inaccurate recording and reporting of the school's financial transactions.

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

- The recordkeeping staff and all school staff temporarily assigned recordkeeping duties must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**. Teachers must be reminded that funds collected cannot be held overnight. The Principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- The recordkeeping staff and all school staff temporarily assigned recordkeeping duties must ensure that all MTF documentation is complete including verification of the MTF prior to acceptance and deposit of funds. The bookkeeper should not accept the MTF if all sections are not complete and in agreement.

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- The principal must consistently adhere to internal controls to ensure that transfers between restricted accounts are only authorized if reviewed and approved by the principal.

2022.03 Delinquent Monthly Bank Reconciliations

Monthly bank reconciliations were not always performed timely. There were **7** instances noted where the school's bank account was **not** reconciled timely. The range of delinquency was 3 to 61 days.

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

BOE policies and procedures as established in the APM regarding monthly reconciliation and financial reporting were not consistently followed by the principal and recordkeeping staff. Due to extended absences of leave of two former bookkeepers, the Accounting and Financial Reporting Office assumed the responsibility of preparing the monthly bank reconciliations and financial reporting on occasion which caused delays in the reconciliation process.

Current financial information is not readily available to inform financial decisions or for review by the auditors.

Recommendation: The principal must ensure that established procedures are consistently followed by the recently assigned recordkeeping staff to allow for preparation of monthly bank reconciliations to occur by the 15th of each month to facilitate timely review of the monthly reconciliations.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Avalon Elementary School was issued for the period ended December 31, 2016. During that period, the principal was in her current position, however, the current recordkeeping staff was not assigned to the school. The previous audit report included **7** reportable conditions of which four **4** were corrected and **3** of the findings are repeated in the current audit. The following findings were noted as a result of the prior audit, and the current status is indicated below:

- **Funds Stolen by a Student** – Controls appear to be working.

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- **Mismanagement of Funds Received** – Condition still exists regarding delinquent deposits. See Finding 2022.02, *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists regarding Inadequate Approval. See Finding 2022.01, *Mismanagement of Disbursements*.
- **Vending Machine Contract** – Controls appear to be working.
- **Drop Safe Not on Premises** – Controls appear to be working.
- **Fundraiser Forms Not Completed** – Controls appear to be working.
- **Non-Retention of Financial Records** – Condition still exists regarding transfer of funds. See Finding 2022.02, *Mismanagement of Funds Received*.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Avalon ES
Response Date October 01, 2021**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan
1.	<u>2022.01: Mismanagement of Disbursements</u>	<p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The principal must ensure that staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance.</p> <p>B. The recordkeeping staff must ensure that corrections made to SFEBs are documented properly with emphasis on communication to staff that the use of white-out correction fluid is prohibited.</p>	Partially Concur	<ol style="list-style-type: none"> 1. Provide professional development for staff on financial procedures. 2. Principal will meet with the School Secretary at least once a week to review all disbursements. 3. No disbursement will be paid that did not follow County or Board procedures
2.	<u>2022.02: Mismanagement of Funds Received</u>	The following corrective actions should be implemented for Avalon Elementary School collections to be processed in	Concur	<ul style="list-style-type: none"> ● The Principal will perform periodic review of the deposit records to

Principal Signature *Nidali Maloney*
 Date 10/1/2021

		<p>accordance with BOE policies and procedures:</p> <ul style="list-style-type: none"> •The recordkeeping staff and all school staff temporarily assigned recordkeeping duties must be reminded that all funds collected and remitted should be deposited on a daily basis, especially funds in excess of \$250.00. Teachers must be reminded that funds collected cannot be held overnight. The Principal should perform periodic review of the deposit records to monitor whether deposits are made as required. •The recordkeeping staff and all school staff temporarily assigned recordkeeping duties must ensure that all MTF documentation is complete including verification of the MTF prior to acceptance and deposit of funds. The bookkeeper should not accept the MTF if all sections are not complete and in agreement. •The principal must consistently adhere to internal controls to ensure that 		<p>monitor whether deposits are made as required.</p> <ul style="list-style-type: none"> • The Principal will meet with the School Secretary weekly to review all MTF, logs, and forms to ensure proper record keeping procedures are followed. • School Secretary will review each MTF to ensure that all sections are complete and in agreement. • Principal will review all transfers to ensure proper documentation and signatures. • Principal will train staff on procedures for collected funds
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Principal Signature Vidalie Maloney
Date 10/1/2021

		transfers between restricted accounts are only authorized if reviewed and approved by the principal.		
3.	<u>2022.03:</u> <u>Delinquent</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The principal must ensure that established procedures are consistently followed by the recently assigned recordkeeping staff to allow for preparation of monthly bank reconciliations to occur by the 15 th of each month to facilitate timely review of the monthly reconciliations.	Concur	<ul style="list-style-type: none"> • School Secretary will prepare the monthly reconciliation report by the 10th of each month for the Principal's review. • Principal will ensure that monthly bank reconciliations occur by the 15th of each month to facilitate timely review of monthly reconciliations.

Principal Signature *Vedala Malay*

Date 10/1/2021