


February 6, 2023

MEMORANDUM

To: **Ebony Cross Shields, M.Ed.**, Instructional Director
Cluster 6

Carmen Bell, Principal
Longfields Elementary School

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

Re: Longfields Elementary School Financial Audit for June 1, 2017 through August 31, 2022.

An audit of the financial records of **Longfields Elementary School** was conducted for the period June 1, 2017 through August 31, 2022. 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 **March 3, 2023** 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; and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enc.

cc:

Judy Mickens-Murray, Chair, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D, Chief, School Support and Leadership
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1
James Dougherty, CPA, Director, Financial Services
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Green, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Derrick Martin, Internal Auditor II

Internal Audit Report

Longfields Elementary School
School Activity Funds

For the Period Ended August 31, 2022

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Longfields Elementary School for the period June 1, 2017 through August 31, 2022. Longfields 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:

- *Inadequate Support of Funds Received,*
- *Mismanagement of Disbursements,*
- *Record Retention, and*
- *Restricted Fund Account Deficits*

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, 2022.



Michele Winston, CPA
Director, Internal Audit

Longfields Elementary School
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SUMMARY

Internal Audit completed an audit of school activity funds (SAF) for Longfields Elementary School for the period June 1, 2017 to August 31, 2022. The audit was a part of the FY 2023 audit plan.

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

The audit report includes 4 findings which occurred under the leadership of the current principal and recordkeeping staff. 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 was in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit report focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

SCOPE

The audit was based on our review of selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period June 1, 2017 to August 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01: Inadequate Support of Funds Received

There were **3** instances where the record keeping staff failed to maintain the deposit receipt from the bank.

The APM requires both the original and duplicate deposit slip to be taken to the bank to allow the duplicate to be validated. The validated copy is filed at the school with the MTF that supports the deposit.

Reportedly, the bank deposit receipts were misplaced by the recordkeeping staff while transitioning files during preparation for the audit.

When funds received are not adequately supported, it places SAF at risk for fraud.

Recommendation: The recordkeeping staff should ensure that all records are kept organized and bank deposit receipts are kept with the accompanying MTF as support of deposit.

2023.02: Mismanagement of Disbursements

The following pertaining to the mismanagement of disbursements was noted:

- **Pre-approval** – There were **6** instances where the staff members failed to properly complete the preapproval section of the School Funds Expenditure Form (SFEF) before purchasing items. There was no evidence of the principal’s approval in these instances.
- **Voided Checks** – There were **4** instances where the signature line was not removed from the voided check.

The APM provides the following guidelines regarding the management of disbursements:

- The APM, Section 4.5.3 Cash Disbursements states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be fully completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.

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- Voided checks must be defaced, and filed in check number order with cancelled check images.

Reportedly, due to Covid-19 related closures and restrictions, there were times where items had to be purchased immediately. As a result, the SFEFs were not fully completed but the principal did ensure checks had all required signatures. The voided check exceptions was due to oversight. The financial recordkeeping staff has since become more knowledgeable of voided check requirements.

When SFEFs are not completed and approved by the principal before purchases are made, it places the school at risk for insolvency. Also when supporting documentation is not available for each purchase and checks are not properly voided the potential for unauthorized expenditures is increased.

Recommendation: The principal and recordkeeping staff should create internal controls to improve management of receipts including:

- Addressing circumstances where purchases are required in the principal's absence.
- School staff should be trained to reiterate the need for pre-approval of expenditures including advance planning whenever possible.
- The record keeping staff should create internal controls to ensure all disbursements are properly supported according to the APM.
- All voided check should be defaced and filed with disbursement records in numerical order.

2023.03: Record Retention

The following documents could not be located for the audit:

- **2 Disbursement records from FY 2022**
- **5 Voided check records**

The APM Section 6.12, *Record Retention* - All SAF records must 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, MTFs, SFEFs, cancelled checks and contracts.”

Reportedly, items were misplaced while preparing for the audit. Based on internal audit's observation, the records were not in order which was contributory to records being misplaced.

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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 and record keeper should create a records management system to ensure financial records are retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Staff should be held accountable for compliance.

2023.04: Restricted Fund Account Deficits

The following restricted accounts contained deficits which aggregated to approximately **(\$2,441.83)** as of August 31, 2022.

Account	Name	Amount
450.20	PSA Food	(\$248.09)
450.50	PSA Transfers In	(\$758.40)
460.00	Sales Tax	(\$8.87)
480.00	Yearbook	(\$377.00)
480.01	FY_16 Yearbooks	(\$1,041.08)
505.00	Agenda Books	(\$8.39)
Total		(\$2,441.83)

Expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash, the account is insolvent.

Under the BOE policies and procedures that govern the School Funds Expenditure Form, the bookkeeper should complete the funds available line located in the “Request and Pre-Approval” section to ensure there is sufficient funding to cover the requested disbursement.

The school spent more than what was available in the restricted account which caused a various deficits. The PSA food, FY 2016 Yearbook, and the Agenda book deficits were mentioned in the previous audit ending May 31, 2017. Since the previous audit the PSA food deficit has decreased. The FY 2016 yearbook deficit has decreased and the Agenda book deficit has remained the same. The current Yearbook account deficit was caused by the principal ordering yearbooks that were not sold. The record keeping staff could not explain the sales tax deficit and is planning on contacting the accounting and financial management department. As the fiduciary agent for the SAF, the principal should ensure all accounts are solvent at all times.

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Recommendation: The school should continue work toward clearing the fund account deficits. The principal should discontinue spending from these restricted accounts until deficits are cleared.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Longfields Elementary School was issued for the period ended May 31, 2017. During that period, the bookkeeper and principal held their current position. The previous audit report included **7** reportable conditions, of which **4** 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:


- **Inadequate Approval of Expenditures** – See Finding 2023.02, regarding *Mismanagement of Disbursements*.
- **School Safe is inoperable** – Controls appear to be working
- **Inappropriate Fundraising Activities** – Controls appear to be working
- **Restricted Account Deficits** – See Finding 2023.04, regarding *Restricted Fund Account Deficits*.
- **No Vending Contract** – Controls appear to be working.
- **Administration of Voided Checks** – See Finding 2023.02, regarding *Mismanagement of Disbursements*.
- **Record Retention** – See Finding 2023.03, regarding *Record Retention*.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Longfields ES
Response Due Date March 3, 2023

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
	<u>2023.01: Inadequate Support of Funds Received</u>	The recordkeeping staff should ensure that all records are kept organized and bank deposit receipts are kept with the accompanying MTF as support of deposit.	Concur	<p>- Ms. Chaquita Taylor (Bookkeeper) and Mrs. Carmen Bell (School Principal) will ensure that all records are kept organized and bank deposit receipts are kept with the accompanying MTF as support of deposit.</p> <p>1. After bank deposits, Ms. Taylor will show Mrs. Bell the bank deposit, as it is stapled to the MTF.</p> <p>2. These items will be stored properly in SY binders.</p>	March 3, 2023	Partially Implemented

Principal Signature 

Date 3/10/23

<p><u>2023.02:</u> <u>Mismanagement of Disbursements</u></p>	<p>The principal and recordkeeping staff should create internal controls to improve management of receipts including:</p> <ul style="list-style-type: none"> •Addressing circumstances where purchases are required in the principal's absence. •School staff should be trained to reiterate the need for pre-approval of expenditures including advance planning whenever possible. •The record keeping staff should create internal controls to ensure all disbursements are properly supported according to the APM. •All voided check should be defaced and filed with disbursement records in numerical order. 	<p>Concur</p>	<ul style="list-style-type: none"> - Ms. Chaquita Taylor (Bookkeeper) and Mrs. Carmen Bell (School Principal) will address circumstances where purchases are required in the principal's absence. - School staff will be trained to reiterate the need for pre-approval of expenditures including advance planning whenever possible by the Bookkeeper. - The record keeping staff will create internal controls to ensure all disbursements are properly supported according to the APM. - All voided check will be defaced and filed with disbursement records in numerical order. <ol style="list-style-type: none"> 1. Ms. Taylor will be required to submit the expenditure form prior to any purchase. 2. There will be a review of this process at every Front Office Monday meeting (FOM). 3. APM, Section 4.5.3 will be reviewed and re-shared with the staff. 	<p>March 3, 2023</p>	<p>Partially Implemented</p>
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Principal Signature Carmen A. Bell

Date 3-10-23

	<u>2023.03: Record Retention</u>	The principal and record keeper should create a records management system to ensure financial records are retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the process for ensuring school records are properly maintained and secured. Staff should be held accountable for compliance.	Concur	Ms. Chaquita Taylor (Bookkeeper) and Mrs. Carmen Bell (School Principal) will create a records management system to ensure financial records are retained for the stipulated period of 7 years and in an organized manner. The principal will oversee the process for ensuring school records are properly maintained and secured. Staff will be held accountable for compliance.	March 3, 2023	Partially Implemented
	<u>2023.04: Restricted Fund Account Deficits</u>	The school should continue work toward clearing the fund account deficits. The principal should discontinue spending from these restricted accounts until deficits are cleared.	Partially Concur	Ms. Chaquita Taylor (Bookkeeper) and Mrs. Carmen Bell (School Principal) will continue working toward clearing the fund account deficits. The principal will discontinue spending from these restricted accounts until deficits are cleared.	March 3, 2023	Implemented

Principal Signature Carmen H. Bell

Date 3-10-23