

October 21, 2022

**MEMORANDUM**

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

**Falecia McMillian.**, Principal  
North Forestville Elementary School

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

Re: North Forestville Elementary School Financial Audit for May 1, 2017 through July 31, 2022.

An audit of the financial records of **North Forestville Elementary School** was conducted for the period May 1, 2017 through July 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 **November 21, 2022** 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](mailto:internal.audit@pgcps.org). A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); and Katrina Greene, School Activity Funds Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enc.

cc:

**Juanita Miller**, Ed. D., 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  
**Michael Herbstman**, Chief Financial Officer  
**James Dougherty**, CPA, Director, Financial Services  
**Joeday Newsom**, Esq., Staff Director, Board of Education Office  
**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

North Forestville Elementary School  
School Activity Funds

For the Period Ended July 31, 2022

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

**Table of Contents**

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

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of North Forestville Elementary School for the period May 1, 2017 through July 31, 2022. North Forestville'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:

- Restricted Fund Account Deficits,
- School Safe Access,
- Record Retention,
- Delinquent Monthly Bank Reconciliations, and
- Uncleared Deposits in Transit

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 July 31, 2022.



Michele Winston, CPA  
Director, Internal Audit

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

**SUMMARY**

Internal Audit completed an audit of school activity funds (SAF) for North Forestville Elementary School for the period May 1, 2017 to July 31, 2022. The audit was included in the FY2022 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 **5** findings which occurred under the leadership of the current principal. The school had **3** recordkeeping staff changes during the audit period. 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 May 1, 2017 to July 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. Certain documentation requested for review were not made available. *Refer to finding 2023.03 for details on the unavailable documentation.*

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.

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2023.01 Restricted Account Deficits**

The following restricted fund accounts contained deficits which aggregated to **(\$6,115.20)** as of July 31, 2022.

Account	Name	Amount
307.00	Cheer Team	(\$14.00)
308.00	Employee Sunshine Fund*	(\$38.30)
440.00	PBIS	(\$22.90)
450.10	PSA – Flowers*	(\$2,016.13)
450.30	PSA - Staff Appreciation*	(\$2,499.62)
450.40	PE Uniforms and Equip	(\$1,524.25)
<b>Total</b>		<b>(\$6,115.20)</b>

\* Staff activity spending

The APM provides the following guidelines for administering SAF:

- 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. As the fiduciary agent for SAF, the principal is required to ensure that all accounts are solvent at all times.
- Under the BOE policies and procedures that govern the School Funds Expenditure Form (SFEEF), the bookkeeper is required to complete the funds available line located in the “Request and Pre-Approval” section of the SFEEF to ensure that there is enough funding to cover the requested disbursement.
- The guidelines for 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

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

- Up to 25% of senior class residual funds.

Reportedly, the principal approved expenditures without regard for the availability of funds which resulted in the restricted fund account deficits. A significant portion of the deficits (\$4,554.05 or 74%) is for spending on staff activities.

The students are not receiving the maximum possible benefit of the resources that should have been available to them.

**Recommendation:** The principal and recordkeeping staff must continue to review the applicable fundraising accounts for opportunities to transfer appropriate profits to support the resolution of the PSA deficits. The principal should cease spending from the restricted fund accounts with deficits until the accounts are solvent.

### **2023.02 School Safe Access**

The school has a drop safe, however, neither the recordkeeping staff nor the principal has access to its contents. There are approximately 7 money orders totaling \$224.00 locked in the safe as noted on voided MTF #385671 that cannot be accessed.

According to the APM, **Section 4.5.2.2, *Guidelines for Bank Deposits***, depository (drop) safes are required for every school. Only the principal and bookkeeper can access its contents. The safe should be bolted to the floor and in a location accessible to staff which will facilitate remitting funds even if the bookkeeper is unavailable. A log should be maintained where staff members record their name and the date of the “drop.”

Reportedly, the previous recordkeeping staff did not leave the keys to the safe upon departure for extended leave. A lock smith has made an attempt to open the safe but was not successful.

Internal controls regarding the processing of collected funds was compromised which increased the potential for loss of assets. Funds locked in the safe is not available to support the activities of the Board of Education.

**Recommendation:** The principal and recordkeeping staff should contact another locksmith to gain access to the contents of the school’s safe. In the event that the safe cannot be unlocked another safe must be purchased to ensure proper custody of funds received awaiting deposit for the school to be in compliance with the BOE’s policies and procedures. Also, the principal should establish internal controls to ensure the keys to the drop safe are provided to the principal also to ensure a backup is available. In the event that the current safe is replaced, there should be consideration for obtaining a combination safe instead of a key lock.

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

**2023.03 Record Retention**

There were **41** instances of non-compliance regarding record retention. The following documents were not available for review in the instances:

- **31 Voided Check Records**

- 8 from FY 2019
- 19 from FY 2018
- 4 from FY 2017

- **10 Cancelled Check Records**

The APM states accounting records and supporting documentation shall be opened and available to the auditors upon request. The BOE's record retention policy is **7** years or/and until the documents have been audited.

The current recordkeeping staff was only able to access documents from the current year's activities (FY 2022). However, certain financial records from previous years' activities could not be located for review as an adequate records management system was not established.

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 an adequate records management system and provide management oversight. Financial records must be retained for the stipulated period of **7** years and in an organized manner. The principal should oversee the closeout process for ensuring school records are properly maintained and secured when there is turnover in the recordkeeping staff position.

**2023.04 Delinquent Monthly Bank Reconciliations**

There were **6** instances where the recordkeeping staff failed to complete the monthly bank reconciliation by the 15<sup>th</sup> of the subsequent period. The principal failed to review and approve the monthly bank reconciliations timely in those instances.

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



North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

Reportedly, the recordkeeping staff had difficulty obtaining bank statements from the bank on time and as a result the bank reconciliations were not prepared as required.

Failure to timely complete monthly bank reconciliations could result in the school not becoming aware of discrepancies that may occur from month to month.

**Recommendation:** The principal should contact the bank to enroll in online banking to ensure that the school has access to the bank statements in a timely manner. The principal should provide oversight into the monthly bank reconciliation process to ensure that monthly bank reconciliations are prepared, reviewed and signed by the 15<sup>th</sup> of the subsequent month of the closing period.

**2023.05 Uncleared Deposits in Transit**

Beginning June 2020, the school had unreconciled deposits in transit (MTF#, 385645 - \$20.00 and MTF#385648 - \$240.00) that totaled \$260.00. This amount has been carrying forward for several months and is still reflected as a reconciling item as of July 31, 2022 (2 years). Documentation to substantiate the deposit of both MTFs could not be located.

A deposit in transit represents collections received as reflected in its financial records and sent to the bank, but it has yet to be processed and posted to the company's bank account. Best practices requires a company to reconcile deposits in transit monthly. In addition, the APM requires schools to complete monthly reconciliations by the 15<sup>th</sup> of the subsequent period, which includes deposits in transit.

Reportedly, MTF 385645 was collected while the previous recordkeeping staff was absent. Supporting records for MTF 385648 could not be located including the white remittance copy of the MTF. Reportedly, the previous recordkeeping staff did not maintain proper financial records and documentation.

Uncleared deposits in transit impacts the accuracy of financial records and presents the risk of fraud, waste, and abuse of the school's funds.

**Recommendation:** The current recordkeeping staff should consult with the Accounting and Financial Reporting office to create a journal entry to clear the long outstanding deposits in transit. The principal must ensure that access to the school's drop safe is available to facilitate the security and retrieval of SAF for prompt deposits and timely reconciliation.

North Forestville Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended July 31, 2022

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for North Forestville Elementary School was issued for the period ended April 30, 2017. During that period, the principal held their current position but the financial recordkeeping staff changed. The previous audit report had **6** reportable conditions and none is repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- *Drop Safe Not on Premises* - Controls appear to be working
- *Administration of Checks* – Controls appear to be working
- *Inadequate Approval of Disbursements* – Controls appear to be working
- *Mismanagement of Funds Received* – Controls appear to be working
- *Contract Not in Place for Vending* – Controls appear to be working
- *Improper Administration of Monetary Transmittal Forms* – Controls appear to be working

**ACKNOWLEDGEMENT**

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

**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: North Forestville ES**  
**Response Due Date November 21, 2022**

	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non- Concur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Status Implemented Partially Implemented Not Implemented</b>
1.	<b><u>2023.01 Restricted Account Deficits</u></b>	The principal and recordkeeping staff must continue to review the applicable fundraising accounts for opportunities to transfer appropriate profits to support the resolution of the PSA deficits. The principal should cease spending from the restricted fund accounts with deficits until the accounts are solvent.	<b>Concur</b>	The Principal will meet with the Bookkeeper to check restricted and unrestricted accounts monthly to make sure bank receipts are properly updated to reflect and deficits, overages, or negative balances on accounts. The Principal along with the school community will create fundraising activities to bring negative accounts to a positive status. No use of such accounts will be authorized until such time.	11/2/22	Implemented
2.	<b><u>2023.02 School Safe Access</u></b>	The principal and recordkeeping staff should contact another locksmith to gain access to the contents of the school's safe. In the event that the safe cannot be unlocked another safe must be purchased to ensure proper custody of funds received awaiting deposit for the school to be in compliance with the BOE's policies and procedures. Also,	<b>Concur</b>	The last safe took 2 keys in order to open. When the employee left the school, they did not return the key, which left only 1 key and it took 2 to acquire access. The Principal will contact another County vendor regarding access to the contents of the safe. We have waited for Ernie's Locksmith to try on several occasions to open the	11/2/2022	Implemented Partially (checking status of funds in order to purchase a safe) Quote: Holton 2014E safe \$749.95 plus \$249.95 delivery installation and

Principal Signature \_\_\_\_\_

Date 11/2/22


		the principal should establish internal controls to ensure the keys to the drop safe are provided to the principal also to ensure a backup is available. In the event that the current safe is replaced, there should be consideration for obtaining a combination safe instead of a key lock.		safe to no avail. We will contact Katrina Greene regarding funds to purchase another safe in order to be compliant with the BOE policies and procedures. To my understanding it must be a drop safe whether key or combination entry. The Principal will have an alternate key in case of lockout or the loss of a key.		bolt down to surface.
3.	<b><u>2023.03 Record Retention</u></b>	The principal must establish an adequate records management system and provide management oversight. Financial records must be retained for the stipulated period of 7 years and in an organized manner. The principal should oversee the closeout process for ensuring school records are properly maintained and secured when there is turnover in the recordkeeping staff position.	<b>Concur</b>	The Principal will (before allowing a Bookkeeper to leave the position) oversee that all records are properly labeled, stored, updated and housed in an area which will not cause damage to any of its contents. This way when an Audit or any other form of communication regarding records occurs, they can be produced because of the proper securing of valuable materials.		
4.	<b><u>2023.04 Delinquent Monthly Bank Reconciliations</u></b>	The principal should contact the bank to enroll in online banking to ensure that the school has access to the bank statements in a timely manner. The principal should provide oversight into the monthly bank reconciliation process to ensure that monthly bank reconciliations are prepared, reviewed and signed by the 15 <sup>th</sup> of the subsequent month of the closing period.	<b>Partially Concur</b>	Partially concur was used because of the Bookkeeper was out because of a major work injury. When the bank Suntrust changed over to Truist, we had to physically go to the Bank to retrieve a statement and Ms. Scales was approximately 3 days late on putting it in the system while on injury from home. We have put in place where the Principal will be vigilant with	11/2/2022	

Principal Signature \_\_\_\_\_

Date 11/2/22 \_\_\_\_\_

				checking her email to see if Truist has sent the monthly bank statement. It is understood that the Bank Reconciliations are to be properly processed and prepared, reviewed, and signed by the 15 <sup>th</sup> of the subsequent month of the closing period. When there's not a bookkeeper, the principal will contact the school's budget analyst to complete the monthly bank reconciliation on time.		
5.	<b><u>2023.05 Uncleared Deposits in Transit</u></b>	The current recordkeeping staff should consult with the Accounting and Financial Reporting office to create a journal entry to clear the long outstanding deposits in transit. The principal must ensure that access to the school's drop safe is available to facilitate the security and retrieval of SAF for prompt deposits and timely reconciliation.	<b>Concur</b>	The current record-keeper will contact Katrina Green in order to clear the outstanding deposit in transit to balance the said area regarding that entry.	11/2/22	Implemented The record keeper will send an email to Ms. Katrina Greene regarding creating a journal entry for said outstanding deposit.

Principal Signature



Date

11/2/22