



December 3, 2020

**MEMORANDUM**

To: Susan Holiday, Instructional Director  
Cluster 2

Jaime Whitfield-Coffen, Principal  
Tulip Grove Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for October 1, 2016 through September 30, 2020

An audit of the financial records of **Tulip Grove Elementary School** was completed for the period October 1, 2016 through September 30, 2020. The audit indicates 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 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 **January 8, 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](mailto: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](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); Katrina Greene, Student Activity Fund Support Specialist: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org) and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto: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, 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  
Suzann King, Esq., Executive Director, Board of Education  
Janice Walters-Semple, CPA, Supervisor Internal Audit  
Rhonda Carter, Internal Auditor II

**Internal Audit Report**

**Tulip Grove Elementary School  
School Activity Funds**

**For the Period Ended September 30, 2020**

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

**Table of Contents**

INTERNAL AUDITOR’S REPORT .....	2
SUMMARY .....	3
OBJECTIVES .....	3
SCOPE .....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS .....	9
ACKNOWLEDGEMENT .....	10

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Tulip Grove Elementary School for the period October 1, 2016 through September 30, 2020. Tulip Grove 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;*
- *Administration of Voided Checks;*
- *Mismanagement of Funds Received;*
- *Monthly Bank Reconciliation and Financial Reporting; and*
- *Excessive Spending in Restricted Fund Accounts*

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 September 30, 2020.



Michele Winston, CPA, Director  
Internal Audit

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

**SUMMARY**

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Tulip Grove Elementary School for the period October 1, 2016 through September 30, 2020. 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.

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 October 1, 2016 through September 30, 2020. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period.

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations.

**2021.01: Mismanagement of Disbursements**

Cash disbursements reviewed during the audit were not processed in accordance with BOE policies and procedures. Some transactions had multiple noncompliance or internal control weaknesses. The following exceptions pertaining to management of disbursements were noted:

- A. *Inadequate Approval* – There were **13** instances where expenditures were not adequately approved. The School Funds Expenditure Form (SFEF) was approved by the principal after the dates of purchase.
- B. *Delinquent Vendor Payments* – There were **6** instances where payments for expenditures were not remitted to vendors in a timely manner. The range of delinquency was 2 and 139 days.
- C. *Documentation Not Located* - There were **3** instances in FY 2020 where documentation (i.e., SFEF, invoices, store receipts and/or cancelled checks) could not be located to substantiate the expenditures. White-out correction fluid was used to make corrections on SFEFs in **3** additional instances.

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 (pre-approved) by the principal.
- B. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals are required to review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- C. An adequate records management system must be established that allows for all checks along with itemized documentation to be attached to the SFEFs that supports the amount of the check and should be retained for audit. Correcting errors using correction fluid, “whiteout” or any other method that obscures the original entry on the SFEF is not permitted.

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

The recordkeeping staff did not always follow established internal controls relative to management of disbursements. Request for payments for expenditures incurred without prior approval by the principal was processed without holding staff members accountable. Delays in submission of SFEF and supporting documentation by staff resulted in delinquent payments. Reportedly, the principal and the recordkeeping staff did not fully comprehend the requirements in the APM relative to retaining the school's financial records.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Approving purchases without adequate documentation or failure to adequately approve expenditures could result in payment for goods and services that were not received and increases the school's vulnerability to potential misuse or waste of resources. Delinquent payment of invoices could result in the vendor placing the BOE's account with a collection agency where significant collection fees could be assessed. *This finding was noted in the previous audit report for the period ended September 30 2016.*

**Recommendation:** The following must be performed to improve the administration of disbursements:

- A. The principal must ensure staff members are aware that pre-approval is required prior to the purchase of products or services. Staff members should be held accountable for compliance.
- B. The principal and recordkeeping staff must ensure vendor payments are issued timely, within 30 days of receipt or by the invoice due date. Staff members must be held accountable for submitting invoices promptly to ensure timely vendor payments.
- C. Internal controls must be established to ensure that all SFEF's are complete and have adequate supporting documentation prior to issuance of payments. Careful review of the APM must be performed by the principal and recordkeeping staff to ensure full comprehension of its requirements.

**2021.02: Administration of Voided Checks**

The following exceptions were noted relative to the administration of voided checks:

- There were **5** instances where voided checks were not properly voided by removal of the signature line.

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

- There were **24** instances where voided checks were not entered in the SFO accounting system.
- There were **3** instances where supporting documentation to determine whether voided checks were made in accordance with requirements in the APM could not be located.

According to the APM, all voided checks must be entered in school's accounting system, SFO. "VOID" is required to be written across the face of the voided check and the signature line removed during the voiding process.

According to **Section 6.12** of the APM, *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, School Funds Expenditure Forms and cancelled checks.

The recordkeeping staff did not follow established internal controls relative to administration of voided checks as documented in the APM and the principal did not perform periodic review of the voided check process to ensure adherence. Also, the principal fulfilled the recordkeeping duties until hiring of the new recordkeeping staff was completed. Her competing responsibilities impacted the voiding of checks in accordance with the guidelines of the APM.

Failure to void checks as required constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to properly void checks could also result in unauthorized negotiation. *This finding was noted in the previous audit report for the period ended September 30 2016.*

**Recommendation:** The recordkeeping staff must be reminded of the importance of administering voided checks as required by the BOE. All voided checks must be entered in SFO and the signature line must be removed during the check voiding process. The principal must perform periodic review of the voided check file to ensure that the recordkeeping staff is compliant with the voided check requirements. Careful review of the APM must be performed by the principal and recordkeeping staff to ensure full comprehension of its requirements regarding voided checks.

### **2021.03: Mismanagement of Funds Received**

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

- A. ***Inadequate Supporting Documentation*** – There were **7** instances where funds received were not properly supported (fundraiser report and class lists) to substantiate the MTF. Also, there was **1** instance where sections 1 and 2 of the MTF did not agree.



Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

- B. ***Support for Transfer of Funds Received*** - There were **7** instances where supporting documentation (Fund Transfer Journal Entry Proof Sheets) could not be located to determine whether transfers were made in accordance with the requirements of the APM.
- C. ***Delinquent Deposits*** – There were **13** instances where deposits were not made in a timely manner. The range of delinquency was 2 and 105 days.

The APM provides the following guidelines regarding the administration of funds received:

- A. MTFs should be supported with student remittance forms, fundraiser forms or other documentation that shows the source and purpose of funds. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs. Sections 2 and 1 of the MTF must agree.
- B. 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 documented on the Fund Transfer Journal Entry Proof Sheet. Also, section 6.12 requires all SAF records to be retained for a period of 7 years and or until audited, including the current fiscal year
- C. Bookkeepers 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. 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.

BOE policies and procedures as established in the APM were not followed. The recordkeeping staff did not perform verification of all MTF's and supporting documentation prior to accepting MTFs and making deposits. There was a delay in submission of MTFs and remittance of funds by staff, which contributed to the delinquent deposits. According to the principal and recordkeeping staff, Journal Entry Proof Sheets were not always available to ensure transfers were properly recorded between fund accounts due to inadequacies in the records management system.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected were subsequently remitted and deposited was not available. Delinquent deposits of funds impact the accuracy of financial reporting upon which administrators rely to make financial decisions. Also, evidence to substantiate the approval of transfers between restricted fund accounts is negated when Journal Entry Proof Sheets are not available for review and increases the risk of inappropriate transfers. ***This finding was noted in the previous audit report for the period ended September 30 2016.***

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

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

- A. The recordkeeping staff must ensure that all MTF documentation is complete by verifying that all supporting documentation is attached to the MTF prior to acceptance and deposit of funds and that the MTF is properly completed, that is, sections 1 and 2 must agree.
- B. The principal must establish internal controls to ensure that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Fund Transfer Journal Entry Proof Sheets should be retained as evidence that the approval process was followed.
- C. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**. Staff members must be informed 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 principal should hold staff members accountable for compliance.

**2021.04: Monthly Bank Reconciliation and Financial Reporting**

Monthly bank reconciliations and financial reporting were not performed as required. There were **11** instances where the school's bank account was **not** reconciled timely. The range of delinquency was 2 to 35 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 15<sup>th</sup> of each month. The completed reconciliation should be returned to the principal every month for review and approval. After review and approval, all reports and related documentation should be organized and maintained in three-ring binders identified by fiscal year. This is not only good accounting practice, but also facilitates review by auditors.

Reportedly, the principal did not exercise oversight consistently to ensure that monthly reconciliations and financial reporting was completed by the 15<sup>th</sup> of each month by the recordkeeping staff. BOE policies and procedures as established in the APM regarding the use of restricted funds were not followed. The absence of timely financial reporting impacts the value and relevance of financial information used in key decision-making processes.

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

**Recommendation:** The principal must establish financial reporting procedures to ensure that monthly reconciliations and financial reporting occur by the 15<sup>th</sup> of each month as required. The recordkeeping staff must be held accountable for compliance.

**2021.05: Excessive Spending in Restricted Fund Accounts**

There are **4** restricted fund accounts with deficits totaling **(\$1,636.56)** as of September 30, 2020. The following is a listing of accounts with deficits:

- 420.30, 3<sup>rd</sup> Grade Field Trip Account - **(\$414.00)**
- 420.40, 4<sup>th</sup> Grade Field Trip Account - **(\$159.30)**
- 445.40 , Teacher of the Year Account - **(\$134.23)**
- 450.20, PSA - Food Account - **(\$929.03)**

**Total** **(\$1,636.56)**

According to the APM, expenditures for restricted accounts are limited to the amount of funds collected for those activities. Restricted accounts in excess of the available funds results in insolvent accounts. As the fiduciary agent for the SAF, the principal is required to ensure that all accounts are solvent at all times.

The principal and recordkeeping staff did not always monitor expenditures to ensure that restricted accounts always maintained sufficient positive balances prior to the approval of expenditures. BOE policies and procedures as established in the APM regarding the use of restricted funds were not followed. Students are not receiving the maximum possible benefit of the resources that should have been available to them.

**Recommendation:** Internal Controls should be implemented to ensure that all potential expenditures are evaluated with regard to available resources and due care is exercised to ensure that resources used are based on availability and expended for maximum benefit of the students. Spending in these accounts must cease until the deficits are resolved. ***This finding was noted in the previous audit report for the period ended September 30 2016.***

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Tulip Grove Elementary School was issued for the period ended September 30, 2016. During that period, the current principal held the position, but the current recordkeeping staff did not hold the position. The previous audit report included **7** reportable

Tulip Grove Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2020

conditions of which **5** are repeated in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Missing Funds** – Controls appear to be working.
- **Mismanagement of Funds Received** – Condition still exists. **See Finding 2021.03**, regarding *Mismanagement of Funds Received*.
- **Excessive Restricted Fund Account Deficits** – Condition still exists. **See Finding 2021.05**, regarding *Excessive Spending in Restricted Accounts*.
- **Untimely Completion of Monthly Reports** – Condition still exists. **See Finding 2021.04**, regarding *Monthly Bank Reconciliation and Financial Reporting*.
- **Mismanagement of Disbursements** – Condition still exists. **See Finding 2021.01**, regarding *Mismanagement of Disbursements*.
- **Administration of Checks** – Condition still exists. **See Finding 2021.02**, regarding *Administration of Voided Checks*.
- **Annual Fundraising Summary Reports** – Controls appear to be working.

**ACKNOWLEDGEMENT**

We would like to thank the Principal and staff of Tulip Grove Elementary School for their cooperation and assistance extended during the audit.



				<p>cost which will provide an example of the purchase and a receipt that supports the purchase of supplies and goods.</p> <ul style="list-style-type: none"> <li>• Review APM</li> <li>• Whiteout will not be used. The MTF will be voided and a new one created</li> </ul>		
2.	<b><u>2021.02:</u></b> <b><u>Administration of</u></b> <b><u>Voided Checks</u></b>	The recordkeeping staff must be reminded of the importance of administering voided checks as required by the BOE. All voided checks must be entered in SFO and the signature line must be removed during the check voiding process. The principal must perform periodic review of the voided check file to ensure that the recordkeeping staff is compliant with the voided check requirements. Careful review of the APM must be performed by the principal and recordkeeping staff to ensure full comprehension of its requirements regarding voided checks.	Concur	<ul style="list-style-type: none"> <li>• Insert voided checks in SFO. Print JE and sign to verify administration is aware of the voided check.</li> <li>• In addition to writing void across the check and keep the check in the financial binder. We will also cut the signature line from the voided check.</li> </ul>	Immediate January 2021	

Principal Signature Jaime W. Gifford

Date 1.12.21



				we are within the 250.00 limit. If this is not adhered to there will be disciplinary actions for non-compliance.		
4.	<b><u>2021.04: Monthly Bank Reconciliation and Financial Reporting</u></b>	The principal must establish financial reporting procedures to ensure that monthly reconciliations and financial reporting occur by the 15 <sup>th</sup> of each month as required. The recordkeeping staff must be held accountable for compliance.	Concur	<ul style="list-style-type: none"> <li>An email will be sent to the Bookkeeper after the electronic statement is reviewed and sent. The email will contain a due by date to review the reconciliation. The reconciliation will be reviewed prior to or on the due date. The due date will be 5</li> </ul>	Immediate January 2021	

Principal Signature Jaime W. Gifford

Date 1.12.21



				business days prior to the 15 <sup>th</sup> to ensure corrections can be made if necessary. Once reviewed and updated if necessary. The Bookkeeper will submit on or prior to the 15 <sup>th</sup> of the month. If this is not adhered to, disciplinary actions will be put into place for non-compliance.		
5.	<b><u>2021.05: Excessive Spending in Restricted Fund Accounts</u></b>	Internal Controls should be implemented to ensure that all potential expenditures are evaluated with regard to available resources and due care is exercised to ensure that resources used are based on availability and expended for maximum benefit of the students. Spending in these accounts must cease until the deficits are resolved. <i>This finding was noted in the previous audit report for the period ended September 30 2016.</i>	Do Not Concur	<ul style="list-style-type: none"> <li>At the time of the audit Grade 3 and Grade 4 were in excesses however it was out of our control due to Pandemic and closure of school on March 13. We had to distribute reimburse checks, get a refund from the bus company for a fieldtrip, and cancelled out a check that was made out to pay student admissions for the trip. All of this was done once we returned to the building. However, due to the checkbook review process and systems updates much of this was not captured until about September 30, 2020.</li> <li>The Teacher of the Year account is negative because the money was not properly moved by the previous bookkeeper. Part of the Principal allotment was to be used to pay for tickets to the MSDE Teacher of the Year Banquet.</li> </ul>		

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

*Jaime W. Gifford*

Date 1.12.21

				<ul style="list-style-type: none"><li>• PSA Food along with the other PSA accounts were delinquent as a result of fraudulent behavior by our bookkeeper during the 2016 audit. These accounts were severely impacted. Each account since 2016 has been rectified using the Principal's fundraiser percentage. The food account is not actually being used it is the last to be cleared from the 2016 situation. Once fundraisers continue we will continue to put a portion of the proceeds in the account to ensure the balance reaches 0.</li><li>• We will have and will continue to ensure that accounts in excess are not used.</li></ul>		
--	--	--	--	--	--	--

Principal Signature Jaime W. Gifford

Date 1.12.21