



February 10, 2021

MEMORANDUM

To: Ava Tasker-Mitchell, Ph. D, Instructional Director
Cluster 1

Catherine Dingle, Ed. D, Principal
Vansville Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for July 1, 2016 through November 30, 2020

An audit was completed on the financial records of **Vansville Elementary School** for the period July 1, 2016 through November 30, 2020. The audit indicates that 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 **March 10, 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; Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, Student Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. 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

**Vansville Elementary School
School Activity Funds**

For the Period Ended November 30, 2020

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Vansville Elementary School for the period July 1, 2016 through November 30, 2020. Vansville 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 (AICPA) 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 Checks;*
- *Mismanagement of Funds Received;*
- *Delinquent Monthly Bank Reconciliation;*
- *Excessive Spending in Restricted Accounts; and*
- *Inappropriate Use of Reimbursement and Refund Vendor Options*

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 November 30, 2020.



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 Vansville Elementary School for the period July 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 for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes 6 findings that occurred under the leadership of the current and former principals. Specifically, the current principal is responsible for 4 of the reported findings. 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 November 30, 2020. 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.

2021.01: Mismanagement of Disbursements

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

- A. *Inadequate Approval* – There were **5** instances where expenditures were not adequately approved. School Funds Expenditure Forms (SFEF) were, either not approved by the principal or approved after the purchase date.
- B. *Delinquent Vendor Payments* – There was **1** instance where an expenditure was not remitted to the vendor in a timely manner. The vendor payment was 169 days delinquent.

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

- A. Prior to ordering or purchasing goods or services, an SFEF is required to be completed and signed (approved) by the principal.
- B. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

According to the recordkeeping staff, internal controls were not implemented to ensure that expenditures were consistently approved as required. Staff members were not always held accountable for obtaining pre-approval prior to obligating the school. Reportedly, the single delinquent payment was an oversight.

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 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.

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

- A. The principal must implement internal controls to ensure 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 principal and recordkeeping staff must ensure that vendor payments are issued timely, within 30 days of receipt or by the invoice due date by periodically reviewing the open invoice file.

2021.02: Administration of Checks

The following exceptions pertaining to administration of checks were noted:

- There were **10** instances where voided checks were not entered in the SFO accounting system.

- There were **2** instances where voided checks were entered in the SFO accounting system six months after the original transaction date.

- There were **2** instances where manual checks were generated for payments to approved vendors.

According to the APM, all voided checks must be entered in SFO and have “VOID” written across the face of the check. The processing of manual checks is prohibited.

The recordkeeping staff was not aware of the process for voiding checks and did not follow established internal controls relative to administration of checks to ensure all voided checks were properly entered in the SFO accounting system. The former principal did not exercise due care in adhering to the APM requirement that prohibits the processing of manual checks.

Failure to properly administer checks constitute 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 of checks.

Recommendation: The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO when voided. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant with the requirements for processing checks. Care must be taken to avoid processing checks outside of the accounting system – manually.

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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. ***Delinquent Deposits*** – There were **15** instances where deposits were not made in a timely manner. The range of delinquency was 3 to 87 days.
- B. ***Completion of Monetary Transmittal Forms*** – There were **5** instances where Sections 1 (*Monetary Description and Bookkeeping Classification*) and 2 (*Remittance Data*) of the MTF did not agree. Section 1 was not completed in these instances. In addition, there was **1** instance where an MTF was completed after the collection was deposited with the financial institution.

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

- A. 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.
- B. All funds collected should be remitted to the bookkeeper and properly supported with an approved MTF that has been completed entirely. The exact composition of the funds and the total amount remitted to the bookkeeper must be itemized on the MTF. The totals in sections 1 and 2 must agree.

BOE policies and procedures as established in the APM were not followed to ensure deposits were made timely because the recordkeeping staff did not read the APM in its entirety. The recordkeeping staff did not perform verification of all MTFs and supporting documentation prior to approving MTFs and making deposits.

Failure to adequately perform bookkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Failure to properly complete MTFs creates a high-risk for potential fraud if all funds are not properly documented. Delinquent deposits of funds impact the accuracy of financial reporting upon which administrators rely to make financial decisions.

Recommendation: The principal and recordkeeping staff must thoroughly review the APM and implement the following for Vansville Elementary School collections to be processed in accordance with BOE policies and procedures:

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- Staff members must be required to properly complete MTFs prior to acceptance. The recordkeeping staff must also ensure that MTF documentation is complete by verifying that all supporting documentation is included with the MTF prior to acceptance, approval and deposit of funds.
- 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**. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The principal should hold all staff members accountable for compliance.

2021.04: Delinquent Monthly Bank Reconciliation

Monthly bank reconciliations were not performed by the 15th of each month as required. There were **15** instances where the bank account was **not** reconciled timely during the audit period. The range of delinquency was 3 to 49 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 bank reconciliation should be returned to the principal every month for review and approval.

The former principal did not exercise consistent oversight to ensure that monthly reconciliations were completed by the 15th of each month. BOE policies and procedures as established in the APM regarding monthly reconciliation and financial reporting were not always followed. Relevant financial information was not readily available for review by the auditors.

Recommendation: The principal must establish financial reporting procedures to ensure that monthly bank reconciliations and financial reporting occur by the 15th of each month. The recordkeeping staff must be held accountable for compliance.

2021.05: Excessive Spending in Restricted Accounts

There were **6** restricted fund accounts with deficits totaling **(\$7,048.47)** as of November 30, 2020. The following is a listing of accounts with deficits:

- 322.00 - SGA has a deficit of **(\$46.00)**
- 440.00 - PBIS has a deficit of **(\$217.85)**
- 450.20 - PSA-Food has a deficit of **(\$587.18)**

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- 460.00 - Sales Tax has a deficit of **(\$1,031.16)**
- 499.00 - Uncategorized Deposits has a deficit of **(\$191.94)**
- 585.00 - Science has a deficit of **(\$4,974.34)**

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

The current principal and recordkeeping staff did not fully comprehend the process of monitoring restricted accounts to ensure that restricted accounts maintained positive balances. It was also noted that School Funds Expenditure Forms (SFEF) were, either not approved by the principal or approved after the purchase date (2021.01) which could be contributory.

BOE policies and procedures as established in the APM regarding the use of restricted funds were not followed. Expenditures have been made without regard for available funding.

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. The principal and recordkeeping staff must carefully review the APM relative *Cash Disbursement Procedures* to understand how restricted funds should be monitored to prevent overspending.

2021.6 Inappropriate Use of Reimbursement and Refund Vendor Options

There were **4** instances where cash disbursement transactions were incorrectly processed for field trip refunds to parents using the “Reimbursement” vendor option instead of the “Refund” vendor option.

According to the APM, all checks must be written to an Approved/Active vendor in SFO. The only exceptions are for staff reimbursements and parent refunds. For checks reimbursing staff, the vendor option is “*Reimbursement;*” for checks refunding a parent, the vendor option is “*Refund.*”

The recordkeeping staff was unaware of the requirements in the APM for proper preparation of refund checks to parents. BOE policies and procedures as established in SFO regarding the use of the “Reimbursement” and “Refund” vendor options were not followed. As a result, the school’s financial records may not have been accurately stated. Failure to follow instructions

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for processing refunds and reimbursements places the school system in a position of non-compliance with BOE policies and procedures.

Recommendation: The principal must establish procedures to ensure that all future cash disbursements are accurately recorded in SFO. Additionally, correcting entries must be made for the improper postings to ensure accurate accounting of all transactions. A thorough review of the APM must be performed by the recordkeeping staff to become familiar with the appropriate use of the “Reimbursement” and “Refund” vendor options in SFO.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Vansville Elementary School was issued for the period ended January 31, 2016. During that period, the current principal was not assigned to the school, and the recordkeeping staff did not hold the current position. The previous audit report included 7 reportable conditions, of which 3 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*.
- **Inadequate Segregation of Duties** – Controls appear to be working.
- **Mismanagement of Disbursements** – Condition still exists. See Finding 2021.01, regarding *Mismanagement of Disbursements*
- **Financial Reporting** – Condition still exists. See Finding 2021.04, regarding *Delinquent Monthly Bank Reconciliation*
- **Record Retention** – Controls appear to be working.
- **Management Oversight** – Controls appear to be working.

ACKNOWLEDGEMENT

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

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

Response Date March 10, 2020

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2021.01: Mismanagement of Disbursements</u>	<p>The following must be performed to improve the administration of disbursements:</p> <p>A. The principal must implement internal controls to ensure 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 principal and recordkeeping staff must ensure that vendor payments are issued timely, within 30 days of receipt or by the invoice due date by periodically reviewing the open invoice file.</p>	Concur	The approval form will be completed and submitted to the principal prior to issuing the check for the payment.	Feb. 16, 2021	Implemented
2.	<u>2021.02: Administration of Checks</u>	The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO when voided. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant	Concur	The principal will do a monthly review of the check file on the first of every month.	April 1, 2021	Not yet implemented

Principal Signature _____

Catherine A. Dingle

Date 3-11-21 _____

		with the requirements for processing checks. Care must be taken to avoid processing checks outside of the accounting system – manually.				
3.	<u>2021.03: Mismanagement of Funds Received</u>	<p>The principal and recordkeeping staff must thoroughly review the APM and implement the following for Vansville Elementary School collections to be processed in accordance with BOE policies and procedures:</p> <p>A. Staff members must be required to properly complete MTFs prior to acceptance. The recordkeeping staff must also ensure that MTF documentation is complete by verifying that all supporting documentation is included with the MTF prior to acceptance, approval and deposit of funds.</p> <p>B. 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. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The principal should hold all staff members accountable for compliance.</p>	Partially Concur	MTFs and deposit slips will be reviewed with the monthly statement.	April 1, 2021	Partially implemented
4.	<u>2021.04: Delinquent Monthly Bank Reconciliation</u>	The principal must establish financial reporting procedures to ensure that monthly bank reconciliations and financial reporting occur by the 15 th of each month. The recordkeeping staff must be held accountable for compliance.	Partially Concur	The monthly bank reconciliations are reviewed each month, but need to be reviewed by the 15 th of each month.	April 1, 2021	Partially Implemented
5.	<u>2021.05: Excessive Spending in Restricted Accounts</u>	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	Concur	A budget spreadsheet is used to track expenses for each line item.	August, 2020	Implemented

Principal Signature _____

Catherine A. Dingle

Date 3-11-21

