



December 7, 2022

MEMORANDUM

To: Niki Brown, Instructional Director
Cluster 4

Kina Flood, Principal
Langley Park McCormick Elementary School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period August 1, 2015 to July 31, 2022

An audit of the financial records of **Langley Park McCormick Elementary School** was completed for the period August 1, 2015 to July 31, 2022. 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 Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan by **January 9, 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. **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, and Katrina Greene, School 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
Mychael Dickerson, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Esq., Director, Financial Services
Helen Coley, Ed. D, Chief, School Support and Leadership
Kasandra Lassiter, Ed. D, Associate Superintendent
Joeday Newsom, Staff Director, Board Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

Langley Park McCormick Elementary
School
School Activity Funds

For the Period Ended July 31, 2022

**Langley Park McCormick Elementary School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Langley Park McCormick Elementary School for the period August 1, 2015 to July 31, 2022. Langley Park McCormick Elementary School's principal is responsible for the administration of the 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:

- *Delinquent Deposits,*
- *Delinquent Financial Reporting,*
- *Mismanagement of Disbursements, and*
- *Deficits in Restrict Fund Accounts*

These findings resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, the SAF referred to above, has been 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

**Langley Park McCormick Elementary School
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SUMMARY

An audit of the student activity funds (SAF) of Langley Park McCormick Elementary School was completed for the period August 1, 2015 to July 31, 2022. The audit was conducted as part of the annual audit plan.

This audit report includes **4** 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. 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 Accounting Procedures Manual for School Activity Funds (APM) and the Board of Education (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period August 1, 2015 to July 31, 2022. Also, available 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

2023.01: Delinquent Deposits

There were **6** instances where funds received were held between **4 to 120** days before deposits were made with the financial intuition. Staff members did not always remit funds to the recordkeeping staff on the day of collection in the noted instances.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* requires bookkeepers to make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight. Staff members are prohibited from holding funds overnight.

According to the recordkeeping staff, staff members placed funds in the depository safe and did not return on the following day to ensure that funds were validated and subsequently deposited. The recordkeeping staff also acknowledged that the depository safe was not checked often for retrieval of dropped funds which resulted in funds being deposited outside of the required timeframe. Delinquent deposits constitutes non-compliance with BOE policies and procedures and increases the risk of financial loss and fraud. In addition, funds collected for students' activities were not immediately available for students' use.

Recommendation: The recordkeeping staff and staff members must be reminded of their responsibilities relative to the remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection and to return to the recordkeeping staff to validate collection when funds are dropped in the depository safe. The recordkeeping staff must establish some time each day to open the depository safe to verify that funds are not neglected. The principal must hold the recordkeeping staff and staff members accountable for compliance.

2023.02: Delinquent Financial Reporting

There were **10** instances during the audit period, where monthly bank reconciliations were not completed and submitted for review in a timely manner, on the 15th day of the subsequent month.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal is required to receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper for preparation of the monthly bank reconciliation. The bank account must be reconciled within 7 days from receipt of the bank statement. Also, Section 5.1.2, requires the school's monthly financial reporting process to be completed by the 15th day of each month and presented to the principal for review.

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According to the recordkeeping staff, the reconciliations were completed timely, but were not printed and submitted to the principal for review until the end of the trimester when financial reports were due to Accounting and Financial Reporting.

Delinquent reporting impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and review individual transactions may be impacted.

Recommendation: The recordkeeping staff must ensure that the completed bank reconciliations are submitted to the principal for review monthly or by the 15th day of the subsequent month. Submission of bank reconciliations to the principal only at the end of the trimester must be discontinued. The principal must hold the recordkeeping staff accountable for compliance.

2023.03: Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Inadequate Principal Approval of Disbursements***- There were **4** instances where staff members did not obtain the principal's authorization prior to purchasing items on behalf of the school.
- B. ***Unrecorded Voided Checks***- There were **25** instances where voided checks were not recorded in SFO.

The following are the criteria as it pertains to management of disbursements:

- A. APM for School Activity Funds Section 4.5.3.1, *Pre-Approval by the Principal* states that, prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be completed and signed by the principal. Schools and their Student Activity Funds 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.
- B. The APM, Section 2.0, Internal Control Principles and Objectives, requires that all checks be recorded in the school's accounting system.

The following causes of mismanagement of funds disbursed were identified:

- A. The recordkeeping staff noted that staff members have been trained on the expenditure approval process. However, some staff members did not always follow the procedures for expending SAF and only completed the SFEFs after purchases were made.

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- B. Reportedly, the recordkeeping staff was not aware that all checks, including voided checks and incorrectly printed checks are required to be recorded in SFO.

Inadequate approval of expenditures can result in the school being financially obligated for goods and services for which funds may not be available and may lead to insolvency of the school. Inadequate approval of expenditures also exposes the school to fraud, waste and abuse of its resources. Listing of voided checks in the accounting system helps ensure accountability for all financial transactions and supports accurate financial reporting. Inappropriate administration of the void check process exposes the school to unauthorized check use and negotiation.

Recommendations: The following steps must be taken to improve the management of disbursements:

- A. All staff members must be reminded through written communication of the requirement for obtaining the principal’s approval prior to obligating the school financially. Staff members should also be reminded of their personal liability that can result from financial obligations entered into on behalf of the school without the principal’s prior approval.
- B. The recordkeeping staff must ensure that all checks are recorded in School Funds Online and that they are identified by check number. This includes voided checks.

2023.04 Deficits in Restrict Fund Accounts

The following 3 restricted fund accounts had deficits as of July 31, 2022 totaling (\$2,093.42).

Account Number	Description	Amount
430.2	Morgridge Family Foundation	(\$652.31)
450.2	PSA-Food	(\$1,204.86)
450.5	PSA-Transfers In	(\$236.25)
	Total	(\$2,093.42)

The APM, Section 4.3 Fund Accounts, states that restricted funds are those funds that are raised by a specific group and/or for a specific purpose and are required to be used exclusively for that group and/or purpose and not for the general needs of the school. Expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted expenditures exceed the available amount of funds,

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the account is insolvent. As the fiduciary agent for the SAF, the principal is required to ensure that restricted accounts are solvent at all times.

According to the recordkeeping staff, the Morgridge Family Foundation provided a Share Fair grant award to the school in FY 2014 for its Langley Park McCormick Garden Club. The grant was for \$1,000.00 but it is unclear where these funds were posted. Related purchases totaled \$652.31 and were posted to the "Morgridge Family Foundation" account that was subsequently established, resulting in the deficit. Pertaining to the PSA account deficits, items were purchased without regards for the availability of funds. Overspending in restricted fund accounts results in insufficient funds being available to administer students' activities.

Recommendations: The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits specifically regarding the Morgridge Family Foundation account. Spending in the PSA fund account should cease until the deficits are resolved. The allowed percentage of fundraiser proceeds should continue to be transferred into the PSA fund accounts to help reduce the deficit.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Langley Park McCormick School was issued for the period ended July 31, 2015. During that period the principal and recordkeeping staff were in their current positions. The current audit report includes **5** findings. There previous audit report included **2** findings which were not repeated in the current audit as noted below.

- **Contract not in Place for Vending Machines** - Condition was not noted during this audit.
- **Improvement Required for the Year-End Monetary Transmittal Form Envelopes Collection Process** - Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Langley Park McCormick ES
Response Due Date January 09, 2023

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Delinquent Deposits</u>	The recordkeeping staff and staff members must be reminded of their responsibilities relative to the remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection and to return to the recordkeeping staff to validate collection when funds are dropped in the depository safe. The recordkeeping staff must establish some time each day to open the depository safe to verify that funds are not neglected. The principal must hold the recordkeeping staff and staff members accountable for compliance.	Concur	The recordkeeping staff and staff member will be reminded to submit money by 1pm daily. The recordkeeping staff will call the staff members at 1pm to bring money to front office. Also, the safe will be opened daily to check for funds to deposit.	9/1/2022	Implemented
2.	<u>2023.02: Delinquent Financial Reporting</u>	The recordkeeping staff must ensure that the completed bank reconciliations are submitted to the principal for review monthly or by the 15th day of the	Concur	The recordkeeping staff has a reminder on the calendar for the 12 of each month to complete the report. The principal will print the statement when received and give	9/1/2022	Implemented

Principal Signature Kerna Ford

Date 12/19/22

		subsequent month. Submission of bank reconciliations to the principal only at the end of the trimester must be discontinued. The principal must hold the recordkeeping staff accountable for compliance.		to the recordkeeping staff.		
3.	<u>2023.03:</u> <u>Mismanagement of Disbursements</u>	<p>The following steps must be taken to improve the management of disbursements:</p> <p>A. All staff members must be reminded through written communication of the requirement for obtaining the principal's approval prior to obligating the school financially. Staff members should also be reminded of their personal liability that can result from financial obligations entered into on behalf of the school without the principal's prior approval.</p> <p>B. The recordkeeping staff must ensure that all checks are recorded in School Funds Online and that they are identified by check number. This includes voided checks.</p>	Concur	<p>The requirements for staff pre approval is added to the Staff Handbook for review at the beginning of the school year. Staff will also be referred to this document for questions about purchasing approval.</p> <p>The recordkeeping staff will ensure all checks are recorded in The SFO by check number.</p>	8/15/2023	Implemented
4.	<u>2023.04 Deficits in Restrict Fund Accounts</u>	The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits specifically regarding the Morgridge Family Foundation account. Spending in the PSA fund account should cease until the deficits are resolved. The allowed percentage of fundraiser	Concur	The principal will contact Accounting and Financial reporting office for guidance to resolve deficit of restricted fund account.	12/20/2022	Partially Implemented

Principal Signature *Kenneth Ford*

Date 12/19/22

		proceeds should continue to be transferred into the PSA fund accounts to help reduce the deficit.				
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Principal Signature Kuno Ford
Date 12/19/22