

September 15, 2022

**MEMORANDUM**

To: Ebony Cross Shields, Instructional Director  
Cluster 6

Desiree Early, Principal,  
Seat Pleasant Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for the Period July 1, 2016 through June 30, 2022

An audit of the financial records of **Seat Pleasant Elementary School** was completed for the period July 1, 2016 through June 30, 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 principal of the school, you will be responsible for preparing an action plan by **October 17, 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). **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), and Katrina Greene, School Activity Funds Support Specialist, email address: [katrina.greene@pgcps.org](mailto: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  
Helen Coley, Ed. D., Chief of School Support and Leadership  
Joeday Newsom, Esq., Director, Board of Education Staff Office  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
Katrina Greene, School Activity Funds Support Specialist  
Janice Walters-Semple, CPA, Internal Audit Supervisor  
Iyamide Chris Oduyoye, Internal Auditor II

**Internal Audit Report**

**Seat Pleasant Elementary School  
School Activity Funds**

**For the Period Ended June 30, 2022**

Seat Pleasant Elementary School  
School Activity Funds  
Internal Audit Report  
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Seat Pleasant Elementary School for the period July 1, 2016 through June 30, 2022. Seat Pleasant 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:

- *Mismanagement of Disbursements,*
- *Delinquent Monthly Bank Reconciliations, and*
- *Inadequate Support for Fund Transfers*

Individually or in the aggregate, these findings resulted in a 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 APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2022.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

An audit of the school activity funds (SAF) for Seat Pleasant Elementary School was completed for the period July 1, 2016 through June 30, 2022. 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 **3** findings which occurred under the leadership of the former 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 to determine 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through June 30, 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: Mismanagement of Disbursements**

The following exceptions were identified:

- ***Delinquent Payments*** – There were **2** instances where vendor payments were not processed in a timely manner. The delinquency was 51 and 59 days.
- ***Incomplete School Funds Expenditure Forms (SFEF)*** – There were **6** instances where the SFEF was not completed as required. The funds available field was not populated at the time of approval.
- ***Voided Checks*** – There were **2** instances where void checks were not available for review. Also, there was one instance where a voided check (Check 3554) was not recorded in SFO.
- ***Missing Cancelled Checks*** – There were **5** instances where cancelled checks were not available for review.

The following guidelines are provided for administering disbursements:

- The APM requires the payment of invoices by the due date or within 30 days of receipt.
- According to the APM, a SFEF must be completed and signed by the principal during the process for approving expenditures. This includes the field for documenting the funds available in the account to which the expenditure is applied.
- Voided checks are required to be defaced and filed in check number order with cancelled check images.
- The requirement for Record Retention states all SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year.

The following explanations were provided regarding the mismanagement of disbursements:

- Reportedly, the delinquency in the vendor payments resulted from the vendors' delay in remitting their invoices to the school.
- It was also reported that the amount of available funds were verified despite the lack of documentation on the SFEF.

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- The recordkeeping staff explained that certain disbursements documents were misplaced.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Untimely payment of vendor invoices may result in the school being assessed late fees. Incomplete documentation of disbursements can result in faulty financial reporting upon which administrators rely to make informed financial decisions. Payments were made without the evidence that funds were available. The risk of overspending is increased in these circumstances.

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

1. Provisions must be made to ensure the prompt processing of vendor payments by the invoice due date or within 30 days of receipt. Efforts should be made to request the vendors' invoices once goods or service is received.
2. The principal must establish internal controls that ensure SFEEs are entirely completed prior to appending her signature.
3. The principal must ensure that an adequate records management system is established for safeguarding and retrieval of financial records. A periodic review of financial records could be performed to ensure completeness.

**2023.02: Delinquent Monthly Bank Reconciliations**

There were **3** instances where monthly bank reconciliations were prepared and reviewed after the due date. The monthly bank reconciliations were prepared and reviewed between 5 and 15 days after the due date (15th day of the subsequent month).

The APM, Section 4.2.2, *Bank Account Procedures*, states the bank account must be reconciled within 7 days of receipt of the bank statement. The principal is also required to conduct the review of bank reconciliations by the 15<sup>th</sup> day of each month.

The recordkeeping staff could not provide an explanation as to the reason for the delinquencies.

Delinquent bank reconciliations 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 identify erroneous transactions may also be impacted.

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**Recommendation:** The principal must establish internal controls to ensure that financial reports are prepared, reviewed and approved as required by the APM.

**2023.03: Inadequate Support for Fund Transfers**

There were 4 instances where documentation to support the approval of funds transferred were not available for review.

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, monetary transmittal forms, school funds expenditure forms, cancelled checks and contracts.

The bookkeeper explained the fund transfer documents were misplaced.

The lack of the required documentation can result in errors in accounting transactions not being detected. Evidence to determine the appropriate approval, accuracy and completeness financial transactions is negated in the absence of relevant supporting documentation.

**Recommendation:** The principal and recordkeeping staff must implement the necessary internal controls to ensure that all fund transfers are supported by the appropriate documentation to support the principal's review and approval of the fund transfer transaction.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Seat Pleasant Elementary School was issued for the period ended June 30, 2016. During that period, the principal was not in this position. A total of 5 findings were noted in that audit and none have been repeated during this audit. The current status of the previous findings are indicated below.

- *Transactions posted incorrectly* – This condition was not observed during this audit.
- *Sales tax reimbursed and paid* – This condition was not observed during this audit.
- *Administration of Contracts* – This condition was not observed during this audit.
- *Management of Checks* – This condition was not observed during this audit.
  - *Check with just one signature*
  - *SFEF not completed for voided checks*
  - *Void checks not properly voided*



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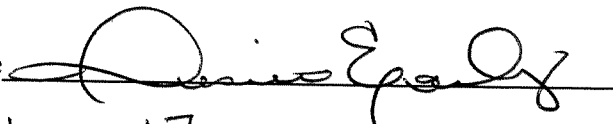
- *Improvement needed in Management oversight* – This condition was not observed during this audit.

**ACKNOWLEDGEMENT**

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

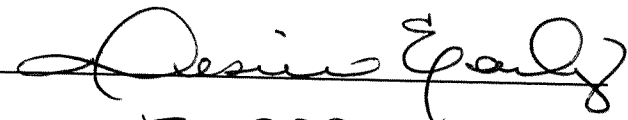
**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: Seat Pleasant ES**  
**Response Date October 17, 2022**

	<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:</u></b> <b><u>Mismanagement</u></b> <b><u>of Disbursements</u></b>	<p>1. Provisions must be made to ensure the prompt processing of vendor payments by the invoice due date or within 30 days of receipt. Efforts should be made to request the vendors' invoices once goods or service is received.</p> <p>2. The principal must establish internal controls that ensure SFEFs are entirely completed prior to appending her signature.</p> <p>3. The principal must ensure that an adequate records management system is established for safeguarding and retrieval of financial records. A periodic review of financial records</p>	Concur	<p>1. Invoices will be requested from the vendor and payments will be processed within 30 days of receipt.</p> <p>2. SFEF's will be completed biweekly. After full review, the form will be signed by the principal. We will retrain the staff on protocols.</p> <p>3. The principal and the principal's secretary will meet monthly to review financial records to ensure completeness and of documents.</p>	October 17, 2022	Implemented

Principal Signature   
Date October 17, 2022

		could be performed to ensure completeness.				
2.	<b><u>2023.02:</u></b> <b><u>Delinquent</u></b> <b><u>Monthly Bank</u></b> <b><u>Reconciliations</u></b>	The principal must establish internal controls to ensure that financial reports are prepared, reviewed and approved as required by the APM.	Concur	The principal and the principal's secretary will meet monthly to review financial records to ensure completeness and to establish internal controls of documents.	October 17, 2022	Implemented
3.	<b><u>2023.03:</u></b> <b><u>Inadequate</u></b> <b><u>Support for Fund</u></b> <b><u>Transfers</u></b>	The principal and recordkeeping staff must implement the necessary internal controls to ensure that all fund transfers are supported by the appropriate documentation to support the principal's review and approval of the fund transfer transaction.	Concur	The principal and the principal's secretary will meet monthly to review financial records to ensure that all fund transfers are supported by the appropriate documentation to support the principal's review and approval of the fund transfer transaction.	October 17, 2022	Implemented

Principal Signature



Date

October 17, 2022