




November 12, 2020

MEMORANDUM

To: **Ebony Cross Shields**, Instructional Director
Cluster 6

Hope Albritton Smedley, Principal
Carmody Hills Elementary School

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

Re: Financial Audit for July 1, 2016 through July 31, 2020

An audit of the financial records of **Carmody Hills Elementary School** was conducted for the period July 1, 2016 through July 31, 2020. 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 **December 12, 2020** 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. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Katrina Greene, Student Activity Fund Support Specialist, email address katrina.greene@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enc.

cc:

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Internal Audit Report

Carmody Hills Elementary School
Student Activity Funds

For the Period Ended July 31, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Carmody Hills Elementary School for the period July 1, 2016 to July 31, 2020. Carmody Hills 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;*
- *End of Year Monetary Transmittal Envelopes Submission*
- *Fundraiser Forms;*
- *Vending Machine Contract; and*
- *Record Retention*

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, 2020.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Carmody Hills Elementary School for the period July 1, 2016 to July 31, 2020.

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 (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 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 July 1, 2016 to July 31, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Mismanagement of Disbursements

The audit revealed the following exceptions pertaining to the management of disbursements:

- ***Inadequate Approval of Expenditures*** – There were **4** instances where the principal did not pre-approve expenditures prior to purchases being made.
- ***Delinquent Payments*** – There were **2** instances where vendor invoices were processed for payment more than **30** days after the due date.

The APM provides the following guidelines regarding the management of disbursements:

- ***Expenditures Inadequately Approved*** - The APM, Section 4.5.3, *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form (SFEF) must be properly completed and signed by the principal.
- ***Delinquent Payments*** – Section 4.5.3, *Cash Disbursements* requires invoices to be paid within 30 days of receipt or by the due date reflected on the invoice. The principal has a duty to review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

Failure to follow the preapproval process as outlined in the APM was due to staff’s lack of compliance and the recordkeeping staff’s failure to enforce the policy. SFEFs were not always completed prior to staff members making purchases.

According to the recordkeeping staff, the cause for one of the invoices not paid on time was due to an oversight. The second invoice was delinquent because of lack of available funds in the Yearbook account to cover the expenditure. The school ordered the yearbooks and had planned to use the sales proceeds to pay the outstanding balance. However, sufficient yearbooks were not sold to cover the initial outlay of funds.

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When SFEFs are not completed prior to staff purchases being made, it places the school at risk for insolvency and impacts the availability of funds to pay expenditures incurred on

behalf of the school. It also increases the risk of fraud, waste, and abuse. Delinquent payment of vendor invoices impacts the community's confidence in the school's ability to pay its bills on time and may result in poor relationships between the school and its vendors.

Recommendation: The principal and recordkeeping should ensure that SFEFs are always completed and expenditures are approved prior to making purchases. School staff should be trained to emphasize the need for pre-approval of expenditures. In addition, the principal should review the open invoice file and statements to ensure that all invoices are paid within the required 30 day period. The principal and recordkeeping staff should also monitor fund account balances to ensure sufficient funding is available to cover obligations.

2021.02 End of Year Monetary Transmittal Form Envelope Submission

The following conditions pertaining to the End of the Year MTF submission were noted:

FY 2020

- There were **2** instances where the pink MTF remittances were not included in a staff member's MTF envelope.
- There were **2** instances where MTF remittances were not secured in sealed, signed MTF envelopes.

FY 2019

- There were **2** instances where 2 staff members' MTF envelopes containing 4 MTF remittances were not properly sealed.
- There were **4** instances where the pink MTF remittances were not included in a staff members' MTF envelope.

According to the APM, staff collecting funds are required to complete MTFs and must retain remittance copies. The pink copy of the MTF is required to be retained by the preparer of the form. The white and yellow copy is submitted to the bookkeeper with funds collected. After approving the MTF, the bookkeeper returns the yellow copy to the originator. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow copies of the MTFs in a sealed envelope (with their signature over the seal) to the designated administrator.

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APM procedures for year-end MTF envelope submission were not consistently followed due to lack of familiarity with the process. In addition, the school's administration changed and some of the envelopes were lost in the transition.

Recommendation: The principal should establish specific MTF submission procedures as a part of the professional development at the beginning of the school year to ensure all staff members are familiar with the year-end MTF submission requirements. In addition, the principal should require staff to sign a memorandum of understanding as a measure of accountability for ensuring that all MTF remittances are properly secured and submitted.

2021.03 Fundraiser Forms

The school held **14** school wide fundraisers and **1** sponsored fundraiser for the audit period; however, the required Fundraiser Request and Authorization, Fundraiser Completion and Annual Report of Fundraising Activities forms were not completed. (*Please refer to Attachment 1 Below*).

Administrative Policy 5135.1, *Fundraising*, indicates that when clubs and organizations have fundraisers, they must complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Report and the principal must complete an annual report summarizing the school's fundraising activities . These documents must be maintained on file for public and auditor review upon request. Additionally, the principal is responsible for approval of all fundraisers.

According to the record keeping staff the fundraiser forms were not included as part of the fundraising process and there was no oversight provided to ensure that the required fundraiser forms were completed. The previous principal who retired in July of 2020 did not implement the appropriate proper fundraiser policies.

The absence of the appropriate fundraising forms makes it difficult to determine whether the school's fundraisers were properly approved and yielded any financial benefit or loss. Incomplete fundraising reports also negates information necessary for decisions to be made on future fundraising activities of the school.

Recommendation: The recordkeeping staff and principal should require fundraising sponsors to read and comply with Administrative Procedure 5135.1, *Fundraising*, to ensure staff is compliant with BOE fundraising policies and procedures. Oversight should be provided to ensure that the fundraising requirements for completion of Fundraiser Authorization and Completion Reports are consistently followed.

The principal should prepare an annual report summarizing all fundraising activities concluded at the end of the school year. The annual report should include the net amount

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retained as profit from each fundraising activity. The annual report should be properly retained and made available for parents and other interested members of the community for review.

2021.04 Vending Machine Contract

There are 2 vending machines (1 soda and 1 snack) located in the school's faculty lounge area where only teachers have access. However, there is no contract in place that specifies commission due and the terms of the contract.

The APM, Section 9.8, *Vending Machine Sales*, states, "all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted. The contract term cannot exceed one year."

Reportedly, attempts to contact the vending company and receive an appropriate contract has been unsuccessful as the vending company has been unresponsive. Failure to have a formal contract in place that stipulates commission due and contract term constitutes non-compliance with BOE policies and procedures.

A non-existing vending machine contract violates the APM policies and constitutes noncompliance with BOE policies and procedures. This compromises the principal's ability to contractually obligate the vendor for operation of machines as well as determine proceeds due that could benefit the school and students.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor.

2021.05 Record Retention

The following documents were not provided for review during the audit:

- 4 Cancelled check records from FY 2017
- 19 Voided check records from FY 2017
- 4 End of the Year Records from FY 2020
- 7 End of the Year Records from FY 2019

The APM *Section 6.12 Record Retention* – Requires all SAF records to be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but

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is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.

The recordkeeping staff made several attempts to locate missing financial records from the previous recordkeeping staff's files without success. A school investigation occurred in March of 2016 involving the school's office staff, resulting in an unplanned departure of the previous recordkeeping staff. As a result, several files were unable to be located. The missing FY 2020 MTF records could not be located due to disruption resulting from the Covid 19 closing.

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 to ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal must continue to oversee the process for ensuring that all school records are properly maintained and secured to provide ease of access. The recordkeeping staff must be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Carmody Hills Elementary School was issued for the period ended October 31, 2011. During that period, the current principal and the recordkeeping staff were not on staff. The previous audit report included 9 reportable conditions, of which 2 are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Missing Funds** – Controls appear to be working.
- **Membership cards** – Controls appear to be working.
- **Delinquent Deposits**– Controls appear to be working.
- **Inadequate Supporting Documentation** – Controls appear to be working.
- **Checks Not Properly Signed** – Controls appear to be working.
- **Payments to Vendors for Services Rendered** – Controls appear to be working.
- **Year-end Monetary Transmittal Forms** – See Finding 2021.02 regarding *End of Year-end Monetary Transmittal Form Envelope Submission*.
- **Fundraiser Forms** – See Finding 2021.03 regarding *Fundraising Forms*.

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- **Equipment Purchased With Student Activity Funds But not Recorded** –
Controls appear to be working

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Carmody Hills Elementary School for their cooperation and assistance during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Carmody Hills ES
Response Date December 12, 2020**


	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01 Mismanagement of Disbursements</u>	The principal and recordkeeping should ensure that SFEFs are always completed and expenditures are approved prior to making purchases. School staff should be trained to emphasize the need for pre-approval of expenditures. In addition, the principal should review the open invoice file and statements to ensure that all invoices are paid within the required 30 day period. The principal and recordkeeping staff should also monitor fund account balances to ensure sufficient funding is available to cover obligations.	Partially Concur	The yearbook expense, funds were not available to cover the costs. Due to COVID closures, the yearbooks were not sold. We will not continue with providing yearbooks to students. We are working to determine how to cover the cost of the yearbooks. Administrative team meets weekly to discuss plans for purchasing. Prior to submitting purchase requests, we meet to discuss costs and budget allocations. During our regular meetings we review invoices prior to submitting in Oracle.	November 2020	Partially Implemented

Principal Signature _____



Date December 16, 2020

2.	<u>2021.02 End of Year Monetary Transmittal Form Envelope Submission</u>	The principal should establish specific MTF submission procedures as a part of the professional development at the beginning of the school year to ensure all staff members are familiar with the year-end MTF submission requirements. In addition, the principal should require staff to sign a memorandum of understanding as a measure of accountability for ensuring that all MTF remittances are properly secured and submitted.	Non-Concur	We have created a Close Out Procedure policy for staff to follow at the end of each year. This procedure will be reviewed with all staff at the onset and end of school year. Staff will be provided with the envelope to securely submit their MTFs to the Secretary.	SY2017-2018 SY2020-2021	Implemented
3.	<u>2021.03 Fundraiser Forms</u>	<p>The recordkeeping staff and principal should require fundraising sponsors to read and comply with Administrative Procedure 5135.1, <i>Fundraising</i>, to ensure staff is compliant with BOE fundraising policies and procedures. Oversight should be provided to ensure that the fundraising requirements for completion of Fundraiser Authorization and Completion Reports are consistently followed.</p> <p>The principal should prepare an annual report summarizing all fundraising activities concluded at the end of the school year. The annual report should include the net amount retained as profit from each fundraising activity. The annual report should be properly retained and made available for parents and other interested members of the community for review.</p>	Concur	<p>The recordkeeping staff and principal will provide fundraising sponsors with Administrative Procedure 5135.1 and express that they must read and comply to ensure staff is compliant with BOE fundraising policies and procedures.</p> <p>Oversight will be provided to ensure that the fundraising requirements for completion of Fundraiser Authorization and Completion Reports are consistently followed.</p> <p>The principal will prepare an annual report summarizing all fundraising activities concluded at the end of the school year. The annual report will include the net amount retained as profit from each</p>	December 2020	Not Implemented (We currently do not have a fundraisers.)


 Principal Signature _____

Date **December 16, 2020**

				fundraising activity. The annual report will be properly retained and made available for parents and other interested members of the community for review.		
4.	<u>2021.04 Vending Machine Contract</u>	The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor.	Concur	We no longer have a contract with the vendor. The previous principal did not renew the contract. The vendor will be contacted to remove the machines.		Not Implemented
5.	<u>2021.05 Record Retention</u>	The principal must establish an adequate records management system to ensure that financial records are retained for the stipulated period of 7 years and in an organized manner. The principal must continue to oversee the process for ensuring that all school records are properly maintained and secured to provide ease of access. The recordkeeping staff must be held accountable for compliance.	Partially Concur	We have established a process and location for maintaining all records in and archival location. We will ensure an archival records inventory form with each archival box. The box will be clearly labeled with the year and placed in storage.	SY2020-2021	Not Implemented (Will begin with records from previous two years.)

Principal Signature _____



Date **December 16, 2020**