



September 19, 2022

MEMORANDUM

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

Amanda Alerich, Principal
Berwyn Heights Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for July 1, 2017 through May 31, 2022

An audit was completed on the financial records of **Berwyn Heights Elementary School** for the period July 1, 2017 through May 31, 2022. 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 October 19, 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. **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 Green, School Activity Fund 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
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1 Schools
Helen Coley, Ed. D., Chief, School Support and Leadership
Joeday Newsom, Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, Student Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Rhonda Carter, Internal Auditor II

Internal Audit Report

**Berwyn Heights Elementary School
School Activity Funds**

For the Period Ended May 31, 2022

Berwyn Heights Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended May 31, 2022

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Berwyn Heights Elementary School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Berwyn Heights Elementary School for the period July 1, 2017 through May 31, 2022. Berwyn Heights 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 finding:

- *Mismanagement of Disbursements, and*
- *Mismanagement of Funds Received*

Individually or in the aggregate, the finding 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 stated period.



Michele Winston, CPA, Director
Internal Audit

Berwyn Heights Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended May 31, 2022

SUMMARY

An audit of the School Activity Funds (SAF) of Berwyn Heights Elementary School was completed for the period July 1, 2017 through May 31, 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 (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes 2 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. In addition, details of the 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, 2017 through May 31, 2022. 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 finding and recommendation.

2023.01: Mismanagement of Disbursements

Cash disbursements reviewed during the audit were not always processed in accordance with BOE policies and procedures. The following exceptions were noted:

- A. *Inadequate Approval* – There were **7** instances where expenditures were not adequately approved. The School Funds Expenditure Form (SFEEF) was approved by the principal after purchases were made in those instances.

- B. *Delinquent Vendor Payments* – There were **2** instances where vendor payments were not remitted to the vendor in a timely manner. The delinquency of the payments was 36 and 69 days.

- C. *Inadequate Documentation* – There were **2** instances where expenditures were not supported with sufficient documentation. There was no SFEEF attached to support the payment for a fieldtrip refund in one instance. In the other instance, there was no documentation included to substantiate the payment for a fieldtrip.

- D. *Voided Checks* – There were **2** instances where voided checks were not located to provide evidence that the checks were voided in accordance with the requirements of the APM. Also, there was **1** instance where a voided check was not properly voided by removal of the signature line.

The APM provides the following guidelines pertaining to the administration of cash disbursements:

- A. Prior to ordering or purchasing goods or services, an SFEEF is required to be completed and signed (approved) by the principal. The pre-approval function may be delegated to a vice-Principal (or alternate administrator) if the principal is expected to be on extended leave.

- 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 vendor payments are made in a timely manner.

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- C. All checks are required to be supported with itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check.
- D. All voided checks must be entered in SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached to approved SFEF’s or Void Check Proof Sheets. All checks are required to be accounted for.

The following explanations were provided for the improper administration of disbursements:

- A. Inconsistent training on the purchasing requirements has resulted in school staff not adhering to the guidelines for requesting expenditures and as such, preapproval of expenditures was not always sought in accordance with APM requirements.
- B. Due to transition in the recordkeeping staff’s position the noted vendor invoices were not processed promptly which resulted in delinquent payments to vendors.
- C. A thorough review of supporting documentation was not always conducted by the recordkeeping staff to ensure SFEFs were properly supported prior to forwarding the requests to the principal for approval.
- D. Turnover in the recordkeeping position impacted the records management system which caused misplacement of some voided checks. Failure to remove the signature line in the single instance was an oversight.

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. Delinquent payments could negatively impact the school’s relationship with its vendors and may result in fees. When checks are not properly voided by removal of the signature line, unauthorized negotiation of checks can occur. Failure to maintain supporting documents impacts the audit trail and increases financial risk to the school.

Recommendations: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal must ensure staff members are reminded of the pre-approval requirement for purchases and are held accountable for compliance. The principal must ensure all pre-approval details are provided on SFEFs prior to approving expenditures.

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- B. The principal must perform periodic review of the invoice folder to ensure that unpaid bills are identified and processed timely and in the absence of the recordkeeping staff.
- C. The principal and recordkeeping staff must ensure that internal controls are consistently adhered to, and all SFEF's are remitted, complete and have adequate supporting documentation attached prior to issuance of payments.
- D. The principal must ensure proper custody of all records relating to SAFs until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents are easily retrievable.

2023.02 Mismanagement of Funds Received

Collections reviewed during the audit were not always processed in accordance with BOE policies and procedures. The following exceptions were noted:

- A. *Delinquent Deposits* – There were **3** instances where deposits were not made in a timely manner. The range of delinquency was 4 and 7 days.
- B. *Support for Transfer of Funds Received* – There were **3** instances where the Fund Transfer Journal Entry (JE) Proof Sheets could not be located to determine whether transfer of funds received were processed in accordance with the requirements of the APM.

The APM provides the following guidelines for processing funds received:

- A. The bookkeepers is required to 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. 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.

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Due to multiple deposits received and turnover in the recordkeeping staff position resulting in a learning curve, funds were not always deposited as required. This situation also impacted the filing of *Fund Transfer Journal Entry Proof Sheets*.

Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to maintain supporting documents to substantiate fund transfers impacts the audit trail and increases financial risk to the school.

Recommendation: The following corrective actions should be implemented for Berwyn Heights Elementary School to properly account for funds received:

- A. 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 and hold the recordkeeping staff accountable for compliance.
- B. The recordkeeping staff must establish an adequate records management system that ensures proper retention of financial records regardless of turnover in the recordkeeping staff position.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Berwyn Heights Elementary School was issued for the period ended September 30, 2015. During that period, the current principal and recordkeeping staff were not assigned to the school. The previous audit report had **3** reportable conditions, and **2** are repeat findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** – Condition still exists. **See Finding 2023.2**, regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. **See Finding 2023.01**, regarding *Mismanagement of Disbursements*.
- **Financial Reporting** – Condition still exists. **See Finding 2023.03**, regarding *Delinquent Monthly Bank Reconciliations*.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Berwyn Heights ES
Response Due Date October 19, 2022**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Mismanagement of Disbursements</u>	<p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The principal must ensure staff members are reminded of the pre-approval requirement for purchases and are held accountable for compliance. The principal must ensure all pre-approval details are provided on SFEFs prior to approving expenditures.</p> <p>B. The principal must perform periodic review of the invoice folder to ensure that unpaid bills are identified and processed timely and in the absence of the recordkeeping staff.</p> <p>C. The principal and recordkeeping staff must ensure that internal controls are</p>		<p>A. Reviewed with staff the pre-approval process for purchases at a staff meeting during opening week of School SY 23. Repeat this training annually with staff. Reject any requests that do not follow the procedure outlined in the SAF manual.</p> <p>B. Set up a procedure for printing invoices when placed and following up on payment. Review invoices weekly until order is received and document payment date on the document. Reach out to Ms. Green if support is needed in the absence of bookkeeper.</p> <p>C. Create Checklist with the Bookkeeper that notates all</p>		

Principal Signature _____

Date _____

		<p>consistently adhered to, and all SFEF's are remitted, complete and have adequate supporting documentation attached prior to issuance of payments.</p> <p>D. The principal must ensure proper custody of all records relating to SAFs until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents are easily retrievable.</p>		<p>steps and required documents for issuance of payments.</p> <p>D. Coordinate with current bookkeeper to ensure central location of files with clear labels, including year, in the event of a review. Keep this location and record keeping system consistent even when bookkeepers transition.</p>		
2.	<p><u>2023.02</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u></p>	<p>The following corrective actions should be implemented for Berwyn Heights Elementary School to properly account for funds received:</p> <p>A. 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 and hold the recordkeeping staff accountable for compliance.</p> <p>B. The recordkeeping staff must establish an adequate records management system that ensures proper</p>		<p>A. Review deposits to ensure they are deposited on day of receipt, especially if over \$250.</p> <p>B. Coordinate with current bookkeeper to ensure central location of files with clear labels, including year, in the event of a review. Keep this location and record keeping system consistent even when bookkeepers transition.</p>		

Principal Signature _____

Date _____

		retention of financial records regardless of turnover in the recordkeeping staff position.				
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Principal Signature _____

Date _____