

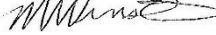


May 26, 2022

MEMORANDUM

To: Ebony Cross Shields, Instructional Director
Area 1

Mickelli Dunn, Principal
Cora L. Rice Elementary School

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

Re: Financial Audit for December 1, 2015 through January 31, 2022

An audit of the financial records of **Cora L. Rice Elementary School** was conducted for the period December 1, 2015 through January 31, 2022. 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 **June 27, 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. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enc.

cc:

Juanita Miller, Ed. D., Chair, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D, Chief, School Support and Leadership
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Katrina Greene, School Activity Funds Support Specialist
Joeday Newsom, Esq. Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Janice Walters-Semple, CPA, Internal Audit supervisor
Derrick Martin, Internal Auditor II

Internal Audit Report

Cora L. Rice Elementary School
School Activity Funds

For the Period Ended January 31, 2022

Cora L. Rice Elementary School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Cora L. Rice Elementary School for the period December 1, 2015 through January 31, 2022. Cora L. Rice 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;*
- *Mismanagement of Funds Received; and*
- *Administration of Voided Checks*

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 January 31, 2022.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit has completed an audit of the school activity funds (SAF) of Cora L. Rice Elementary School for the period December 1, 2015 to January 31, 2022.

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.

A listing of the 3 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 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 December 1, 2015 to January 31, 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:

2022.01 Mismanagement of Disbursements

The audit revealed the following pertaining to the mismanagement of disbursements:

- **Inadequate approval** – There were **8** instances where the recordkeeping staff did not complete the Funds Available section of the School Funds Expenditure Form (SFEF) by including the amount of funds available with initials. Expenditures were also not preapproved by the principal in 5 of those instances.
- **Ordered Goods Delivered to Employee’s Home** – There were **2** instances where the 2 separate employees ordered items and the items were delivered to the employees’ home. The items were subsequently received by the school.

The following guidelines are available to ensure proper administration of disbursements:

- **Expenditures inadequately approved** - The APM, Section 4.5.3, *Cash Disbursements* states that prior to ordering or purchasing goods or services; a SFEF must be entirely completed and signed by the principal.
- **Ordered Goods Delivered to Employee’s Home** - Best practice for receiving goods requires employees to use the company’s address as their mailing address for company purchases to adequately track goods purchased for business purposes. Specifically, delivery of business purchases of goods to personal residences is prohibited.

The following explanations were provided for mismanagement of disbursements:

Reportedly, signing off on the SFEFs was not performed by the recordkeeping staff. The understanding was that only the principal needed to review and approve the expenditures. Moreover, the expenses that were not pre-approved were an oversight. In addition, the recordkeeping staff mentioned ordering things and getting them delivered to the employees’ homes was a normal occurrence. Deliveries from Amazon was delivered on the weekend in some instances. Therefore employees’ home addresses was used to ensure that the items were securely received.

When funds are not adequately approved, it puts the school at risk for fraud, waste, and abuse of its resources and threatens the solvency of the school’s account. Also, when

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purchased goods are delivered to employees' home address, the school is at risk of items being acquired and reimbursed fraudulently.

Recommendation: The recordkeeping staff should review the APM to understand the responsibility relative to approval of expenditures and to ensure that all expenditures are properly approved by the principal prior to purchases being made. The principal should establish and communicate internal controls to staff members to ensure that all items ordered on behalf of the school are delivered to the school.

2022.02 Mismanagement of Receipts

The audit revealed the following pertaining to the mismanagement of funds received:

- **Inadequate Supporting Documentation** – There were **3** instances where MTFs did not include information to properly support the MTF amounts. There was no spreadsheet or class list to support the MTF field trips in 2 instances. The support provided in 1 did not match the funds that were recorded on the MTF.
- **Administration of End of Year MTF Envelopes** – The end of the year MTF envelopes reviewed were not properly sealed and signed by staff members as required. In addition there was **1** instance where an end of the year MTF envelope from FY 2017 contained **\$15** dollars of un-deposited funds.

The APM provides the following guidelines for administering funds received:

- The MTF is required to be entirely completed with the following information. 1) Who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment to substantiate collection of funds.
- Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow remittances of their MTFs in sealed MTF envelopes (with their signature over the seal) to the designated administrator.

According to the recordkeeping staff, teachers did not always follow-up with requests to provide back-up documentation. The recordkeeping staff deposited these remitted funds without the required documentation to remain in compliance with the requirement for timely deposits. Reportedly, staff members were trained to submit year-end MTF envelopes; however staff members were not trained to seal and sign each MTF envelope. The administrator with responsibility for collecting MTF envelopes during the year-end checkout process was not aware that funds were left in a MTF envelope.

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When MTFs are not properly supported with a class list or accurate supporting documentation, the evidence required for verification of the accuracy of funds remitted is not available. Unsealed MTF envelopes increases the risk of MTF remittance tampering. Also, when funds are not deposited as required, there is increased potential for loss and the intended account is at risk for insolvency.

Recommendation: The following steps should be followed to ensure that collections are administered as required:

- The principal should remind staff members of their responsibility to adequately support MTFs that are submitted to the recordkeeping staff to substantiate remittance. Staff members should be held accountable for compliance.
- Staff members should be reminded of their responsibility to promptly remit all funds collected to the recordkeeping staff on the day of collections during a school in-service meeting. Specifically, staff members should be made aware that funds should not be included in year-end MTF envelopes. The administrator collecting year-end MTF envelopes must ensure that all MTF envelopes are signed and sealed as required.
- The recordkeeping staff should immediately deposit the misplaced funds and provide a copy of the MTF and bank deposit slip to Internal Audit as evidence of deposit.

2022.03 Administration of Voided Checks

There were 5 instances where the recordkeeping staff failed to properly void checks by removal of the signature line.

The APM, Section 4.5.3.2, *Summary of Check Disbursement Procedures* requires voided checks to be defaced, and filed in check number order with cancelled check images.

The recordkeeping staff was not consistent with the defacement of voided checks because of competing responsibilities.

When checks are not properly voided, it puts the school at risk of check fraud. Failure to remove the checks' signature panel increases the risk of forgery and can result in checks being negotiated without authorization.

Recommendation: The recordkeeping staff must ensure that the signature panel on voided checks are consistently removed during the check voiding process as required. The principal should provide the recordkeeping staff with adequate time to perform

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recordkeeping duties during the workday. The principal should also perform periodic review of the check folder to ensure that checks are properly voided.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Cora L. Rice Elementary** was issued for the period ended **November 30, 2015**. The principal was not in this current position during that audit; however, the recordkeeping staff was on staff in this role. The previous audit included 3 findings and 2 have been repeated. The current status is indicated below.

- **Mismanagement of Receipts** – Condition still exists. **See Finding 2022.02** regarding *Mismanagement of Funds Received*.
- **Fundraiser Forms** - Controls appear to be working.
- **Voided Checks** – Condition still partially exists. **See Finding 2022.03** regarding *Administration of Voided Checks*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Cora L. Rice Elementary School for their cooperation and assistance during the audit.

**Prince George's County Public Schools
Internal Audit Department**

School/Office: Cora Rice ES

Response Date June 27, 2022

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2022.01</u> <u>Mismanagement</u> <u>of Disbursements</u>	The recordkeeping staff should review the APM to understand the responsibility relative to approval of expenditures and to ensure that all expenditures are properly approved by the principal prior to purchases being made. The principal should establish and communicate internal controls to staff members to ensure that all items ordered on behalf of the school are delivered to the school.		<ul style="list-style-type: none"> • Have recordkeeping staff review APM • Prior to pre-service week, create a one-pager to be included in the staff handbook to outline the process for ordering materials for school use. • During pre-service week, communicate to staff the procedure and expectations for ordering materials. 	August 2022	
2.	<u>2022.02</u> <u>Mismanagement</u> <u>of Receipts</u>	The following steps should be followed to ensure that collections are administered as required: A. The principal should remind staff members of their responsibility to		<ul style="list-style-type: none"> • Prior to pre-service week, create a one-pager to be included in the staff handbook to outline the process and expectations for 	August 2022	

Principal Signature _____



Date 6/27/2022

		<p>adequately support MTFs that are submitted to the recordkeeping staff to substantiate remittance. Staff members should be held accountable for compliance.</p> <p>B. Staff members should be reminded of their responsibility to promptly remit all funds collected to the recordkeeping staff on the day of collections during a school in-service meeting. Specifically, staff members should be made aware that funds should not be included in year-end MTF envelopes. The administrator collecting year-end MTF envelopes must ensure that all MTF envelopes are signed and sealed as required.</p> <p>C. The recordkeeping staff should immediately deposit the misplaced funds and provide a copy of the MTF and bank deposit slip to Internal Audit as evidence of deposit.</p>		<p>handling funds collected from students.</p> <ul style="list-style-type: none"> • During pre-service week, communicate to staff the procedure and expectations collecting funds and handling of MTF's. 		
3.	<u>2022.03 Administration of Voided Checks</u>	The recordkeeping staff must ensure that the signature panel on voided checks are consistently removed during the check voiding process as required. The principal should provide the recordkeeping staff with adequate time to		<ul style="list-style-type: none"> • A set time each week will be blocked out for the recordkeeping staff to attend to record keeping duties. • Quarterly the principal will review the check folder. 		

Principal Signature _____



Date 6/27/2022

		perform recordkeeping duties during the workday. The principal should also perform periodic review of the check folder to ensure that checks are properly voided.				
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Principal Signature _____



Date 6/27/2022 _____