



August 26, 2022

MEMORANDUM

To: Sheena Hardy, Instructional Director
Cluster 3

Mark Dennison, Principal
Fort Washington Forest Elementary School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Student Activity Funds Financial Audit as of April 30, 2022

An audit of the financial records of **Fort Washington Forest Elementary School** was completed for the period July 1, 2017 through April 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 Funds (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 September 26, 2022, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated 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; and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbtzman, Chief Financial Officer
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief of School Support and Leadership
Kasandra Lassiter, Ed. D., Associate Superintendent
Joeday Newsom, Esq., Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Benjamin Hanks, Internal Auditor II

Internal Audit Report

Fort Washington Forest Elementary
School Activity Funds

For the Period Ended April 30, 2022

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

Table of Contents

Internal Auditor's Report	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
ACKNOWLEDGEMENT	10

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Fort Washington Forest Elementary School for the period July 1, 2017 to April 30, 2022. Fort Washington Forest 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:

- *Restricted Fund Account Deficits;*
- *Record Retention;*
- *Mismanagement of Disbursements;*
- *Excessive Transfer of School-wide Fundraiser Proceeds; and*
- *Management Oversight*

The 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, considering the deviations from the criteria described in the preceding paragraph, the SAF referred to above has not been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended April 30, 2022.



Michele Winston, CPA
Director, Internal Audit

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

SUMMARY

An audit of the school activity funds (SAF) for Fort Washington Forest Elementary School was completed for the period July 1, 2017 to April 30, 2022. The audit was conducted as part of the 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 **5** findings which 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.

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 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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2017 to April 30, 2022. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. Certain documents were not on file for review. (*See 2023.02 Record Retention*)

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.

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Restricted Fund Account Deficits

There were 7 restricted fund accounts where deficits were identified as of April 30, 2022 that totaled **(\$12,056.98)**. The total deficit as of June 30, 2017 was (\$848.23). *This finding was noted during the previous audit period ended June 30, 2017.*

Account Number	Account Name	Account Balance
322.00	SGA-Student Council	(\$68.81)
450.20	PSA-Food	(\$3,145.92)
450.30	PSA-Staff Appreciation	(\$4,367.52)
505.00	Agenda Books	(\$94.02)
508.20	Time for Kids	(\$960.28)
510.83	Recognition	(\$420.43)
585.00	Science and Technology	(\$3,000.00)
Total		(\$12,056.98)

According to the APM, expenditures for all restricted fund accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted fund accounts are solvent at all times.

Reportedly, the recordkeeping staff was not very familiar with her responsibilities for processing financial transactions. As a result, the process for disbursing funds was not consistently followed. That resulted in increases in the deficits in restricted fund accounts with deficits and creation of new restricted fund account deficits as follows:

- Account 322.00 *SGA-Student Council* was identified in the school’s previous audit with an account deficit. The only activity for the account since the previous audit is a check that was written-off for \$13.00, which lowered the account deficit to (\$68.81).
- Principal Sponsored Activity (PSA) fund accounts were identified with deficits during the previous audit. The previous audit report listed an account deficit of (\$1,159.02) for all PSA funds. The school continued to disburse funds from accounts 450.20 *PSA-Food* and 450.30 *PSA-Staff Appreciation* at a greater pace

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

than the funds were deposited or transferred over the course of the audit period, resulting in account deficits of (\$3,145.92) and (\$4,367.52) respectively.

- Account 505.00 *Agenda Books*' most recent expenditure occurred in FY 2019. The account had an available balance of \$448.18 at the beginning of FY 2019 and agenda books were purchased for \$557.20 and \$15.00 was later deposited into the account, resulting in a deficit of (\$94.02).
- Account 508.20 *Time for Kids* was identified in the school's previous audit with an account deficit. The account's most recent expenditures occurred in FY 2019, when the beginning balance of the account was (\$253.72). The account received deposits totaling \$150.00, and the account disbursed a total of \$906.56 in subscription costs and refunds. The account received an additional \$50.00 in deposits in FY 2020, resulting in a deficit of (\$960.28).
- Account 510.83 *Recognition*, the most recent expenditures occurred in FY 2019. The beginning balance of the account was (\$96.75) and the account disbursed a total of \$323.68 for student incentives and recognition supplies, resulting in a deficit of (\$420.43).
- Account 585.00 *Science and Technology*'s most recent expenditure occurred in FY 2019. The beginning balance of the account was \$0.00 and the account disbursed a total of \$3,000 for a STEM Fair, resulting in a deficit of (\$3,000).

Overspending from restricted accounts constitutes noncompliance with the policy documented in the APM. In doing so, funds that should have provided benefits to students were reduced. Students did not receive the maximum possible benefit from the resources that should have been available to them.

Recommendation: The principal and recordkeeping staff must take the following steps to address the fund account deficits.

- The recordkeeping staff must carefully review the APM to become familiar with the requirements for processing expenditures and ensuring that restricted fund accounts remain solvent.
- Restricted fund accounts should be reviewed to determine whether any funds are available for transfer to assist in resolving the negative account balances.
- Restricted fund accounts should be monitored prior to approving purchases to ensure that funds are available and to prevent further fund account deficits.

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

- Spending from restricted fund accounts with negative balances must cease until the deficits are resolved.
- Better planning and budgeting should occur to ensure that the school's resources are expended only when such resources are available.
- Accounting and Financial Reporting should be contacted to determine resolution for the noted deficits.

2023.02 Record Retention

There were **28** instances of noncompliance regarding records management, where the following records **could not be located** to substantiate SAF transactions. ***This finding was noted during the previous audit period ended June 30, 2017.***

- End of Year Sealed MTF Envelopes – **3** MTF remittances (pink and yellow) from 2 staff members from FY 2020
- **2** Cancelled Checks to support cash disbursements from FY 2020
- **23** Voided Checks from FYs 2018, 2019, and 2020

According to 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 year-end MTF process was overlooked for one staff member who began maternity leave during FY 2021. The same staff member was on leave while the audit was conducted, and the missing MTFs belonging to this staff member could not be located.

The principal did not adequately implement the recommendations from the school's previous audit for the period ended June 30, 2017, and did not provide effective oversight to adequately address weaknesses in the school's control environment.

The absence of an effective records management system impacts the retrieval and accessibility to requested documentation. Evidence for determining that internal controls for ensuring all SAF policies and procedures are followed is removed when financial records are unavailable for review.

Recommendation: The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of the school year to the principal and/or designee, and that such

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

procedures are to be completed in the event of a staff member departing the school mid-year.

2023.03 Mismanagement of Disbursements

There were **16** instances of noncompliance regarding disbursements. *This finding was noted during the previous audit period ended June 30, 2017.*

- ***Inadequate Supporting Documentation:*** There were **7** instances where documentation did not adequately support expenditure amounts. Supporting documentation was not included with School Funds Expenditure Forms (SFEF) to substantiate expenditures.
- ***Inadequate Approval:*** There were **9** instances where disbursements were not properly approved. The principal's pre-approval was not appended to the SFEF or the *Funds Available* line was not completed.

According to APM section 4.5.3.1 *Cash Disbursements Procedures*, a School Funds Expenditure Form (SFEF) must be completed and signed by the principal prior to ordering or purchasing goods or services. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. The field included on the SFEF for *Available Funds* is also required to be completed during the pre-approval process.

The principal did not adequately implement the recommendations from the school's previous audit for the period end June 30, 2017, and did not provide effective oversight to adequately identify and address weaknesses in the school's control environment relative to disbursements.

When funds are not adequately supported and approved, it puts the school at risk for fraud, waste, and abuse. In addition, it threatens the solvency of the school's account.

Recommendation: The following steps must be followed to ensure proper administration of disbursements in accordance with the APM.

- The principal and recordkeeping staff must establish internal controls relative to disbursements to ensure that all expenditures are properly reviewed and approved before purchases are made. Specifically, staff members must be made aware that the appropriate pre-approval is required before purchasing products or services. In addition, the principal should ensure all pre-approval details are provided on SFEFs before approving expenditures. Staff should be held accountable for compliance.

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

- Internal controls must be established to ensure that all SFEFs are complete and have adequate supporting documentation before the issuance of payments. Staff members must be held accountable for compliance.

2023.04 Excessive Transfer of School-wide Fundraiser Proceeds

There were 3 instances where fundraiser proceeds transferred to fund account 450.50 *PSA-Transfers In* were overstated in total by \$763.45. The recordkeeping staff incorrectly calculated the amounts to be transferred based on the total receipts instead of the total profits.

According to APM section 9.6 *Principal-Sponsored Activities (PSA) for Staff*, 15% of school-wide fundraiser profits is available for transfer into the PSA account.

The school performed fundraising activity with Claire's Gourmet in FY 2019 and FY 2022, and held a Bookfair fundraiser activity in FY 2020. The recordkeeping staff calculated the amount to transfer from fundraiser proceeds to account 450.50 *PSA-Transfers In* using fundraiser revenue when applying the 15% transfer rate, rather than fundraiser profit due to her lack of familiarity with the process.

Inappropriate transfers resulted in the misstatement of financial information presented to administrators for decision-making, impacting spending decisions. Funds that should have provided benefits to students were reduced, and students did not receive the maximum possible benefit from the resources that should have been available to them.

Recommendation: The following steps should be taken to ensure accurate transfer of funds:

- The recordkeeping staff should perform a transfer of \$488.70 from account 450.50 *PSA-Transfers In* to account 720.06 *FR/Claire's Gourmet* and a transfer of \$274.75 from account 450.50 *PSA-Transfers In* to account 720.05 *FR/Bookfair* in order to correct the excessive transfers that occurred during the audit period.
- The recordkeeping staff must acquaint herself with the requirements for accurately processing transfer of fundraising profits to the PSA fund account.
- The principal must perform review of the monthly financial reports to ensure that transfers from school-wide fundraisers to the PSA fund accounts are accurate.

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

2023.05 Management Oversight

The principal did not exercise proper oversight in the administration of the SAF during the audit period. The previous audit included **11** findings, **5** of which are repeated in this audit report. *This finding was noted during the previous audit period ended June 30, 2017.*

According to APM Section 3.2.1 *Principals*, the principal acts as the fiduciary agent for the SAF. As such, responsibility for accounting, safeguarding, and managing the SAF in accordance with PGCPS policies and procedures rests solely with the principal.

The principal did not adequately implement the recommendations from the school's previous audit for the period ending June 30, 2017, and did not provide effective oversight to adequately identify and address weaknesses in the school's control environment.

Significant financial risks currently exist at Fort Washington Forest Elementary School in the absence of effective management oversight. Account deficits totaling **\$12,056.98** were identified during the audit. (*Refer to finding 2023.01*)

Recommendation: The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. He should be consistently involved in daily operations relating to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these **5** basic principles:

- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documents and Records;
- Limited Access to Assets; and
- Independent Checks on Performance

**Fort Washington Forest Elementary
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2022**

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Fort Washington Forest Elementary School was issued for the period ended June 30, 2017. The current principal was on staff during that audit; the current recordkeeping staff was not on staff during that audit. There were **11** findings noted as a result of the previous audit and summarized below:

- **Missing Funds** – Condition was not noted during this audit.
- **Record Retention** – Condition still exists. See **2023.02** regarding *Record Retention*.
- **Financial Reporting** – Condition was not noted during this audit.
- **Mismanagement of Funds Received** – Condition was not noted during this audit.
- **Mismanagement of Disbursements** – Condition still exists. See **2023.03** regarding *Mismanagement of Disbursements*.
- **Insolvent Principal Sponsored Activities Fund Accounts** – Condition still exists. See **2023.01** regarding *Restricted Account Deficits*.
- **Restricted Fund Account Deficits** – Condition still exists. See **2023.01** regarding *Restricted Account Deficits*.
- **Administration of Voided Checks** – Condition was not noted during this audit.
- **Unsecure Location for Funds Awaiting Deposit** – Condition was not noted during this audit.
- **Bank Account Overstated** – Condition was not noted during this audit; and
- **Management Oversight** – Condition still exists. See **2023.05** regarding *Management Oversight*.

ACKNOWLEDGEMENT

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

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

School/Office: Fort Washington Forest ES

Response Date September 26, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01</u> <u>Restricted Fund</u> <u>Account Deficits</u>	<p>The principal and recordkeeping staff must take the following steps to address the fund account deficits.</p> <ul style="list-style-type: none"> ●The recordkeeping staff must carefully review the APM to become familiar with the requirements for processing expenditures and ensuring that restricted fund accounts remain solvent. ●Restricted fund accounts should be reviewed to determine whether any funds are available for transfer to assist in resolving the negative account balances. ●Restricted fund accounts should be monitored prior to approving purchases to ensure that funds are available and to prevent further fund account deficits. 	X	<p>Restricted funds/non-restricted funds will not be used until all deficits are resolved.</p> <p>Accounting and Financial Reporting has been contacted and five out</p>	9/26/2022	Implemented

Principal Signature _____

Date _____

		<ul style="list-style-type: none"> ●Spending from restricted fund accounts with negative balances must cease until the deficits are resolved. ●Better planning and budgeting should occur to ensure that the school’s resources are expended only when such resources are available. ●Accounting and Financial Reporting should be contacted to determine resolution for the noted deficits. 		seven negative accounts have been resolved.		
2.	<u>2023.02 Record Retention</u>	The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of the school year to the principal and/or designee, and that such procedures are to be completed in the event of a staff member departing the school mid-year.	X	During staff meetings and Week at a Glance updates to staff members will be reminded that all MTF’s should be retained and submitted at the end of the school year to the principal.	9/26/2022	Implemented
3.	<u>2023.03 Mismanagement of Disbursements</u>	The following steps must be followed to ensure proper administration of disbursements in accordance with the APM.		Staff will be made aware of the purchasing procedure during the beginning of the school year.	9/26/2022	Implemented

Principal Signature _____

Date _____

		<ul style="list-style-type: none"> ●The principal and recordkeeping staff must establish internal controls relative to disbursements to ensure that all expenditures are properly reviewed and approved before purchases are made. Specifically, staff members must be made aware that the appropriate pre-approval is required before purchasing products or services. In addition, the principal should ensure all pre-approval details are provided on SFEFs before approving expenditures. Staff should be held accountable for compliance. ●Internal controls must be established to ensure that all SFEFs are complete and have adequate supporting documentation before the issuance of payments. Staff members must be held accountable for compliance. 				
4.	<u>2023.04 Excessive Transfer of School-wide Fundraiser Proceeds</u>	<p>The following steps should be taken to ensure accurate transfer of funds:</p> <ul style="list-style-type: none"> ●The recordkeeping staff should perform a transfer of \$488.70 from account 450.50 <i>PSA-Transfers In</i> to account 720.06 <i>FR/Claire's Gourmet</i> and a transfer of \$274.75 from account 450.50 <i>PSA-Transfers In</i> to account 720.05 	X	The recordkeeper has completed all fundraiser transfers. The recordkeeper will continue to complete transfers after invoices are paid.	9/26/2022	Implemented

Principal Signature _____

Date _____

		<p><i>FR/Bookfair</i> in order to correct the excessive transfers that occurred during the audit period.</p> <ul style="list-style-type: none"> ●The recordkeeping staff must acquaint herself with the requirements for accurately processing transfer of fundraising profits to the PSA fund account. ●The principal must perform review of the monthly financial reports to ensure that transfers from school-wide fundraisers to the PSA fund accounts are accurate. 				
5.	<u>2023.05 Management Oversight</u>	<p>The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. He should be consistently involved in daily operations relating to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these 5 basic principles:</p> <ul style="list-style-type: none"> ● Clearly Defined Lines of Authority and Responsibility; ● Segregation of Duties; ● Maintenance of Adequate Documents and Records; 	X	I reviewed the APM. I will also meet with the bookkeeper weekly to monitor all financial reports.	9/26/2022	Implemented

Principal Signature _____

Date _____

		<ul style="list-style-type: none">• Limited Access to Assets; and• Independent Checks on Performance				
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Principal Signature _____

Date _____