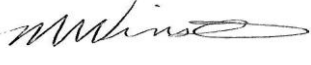


August 19, 2020

MEMORANDUM

To: Kelvin Moore, Ed. D, Instructional Director
Cluster 9

Maryam Thomas, Ed. D, Principal
Ernest Everett Just Middle School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period July 1, 2016 through April 30, 2020

An audit of the financial records of **Ernest Everett Just Middle School** was completed for the period July 1, 2016 through April 30, 2020. 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 **September 21, 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; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

cc:

Alvin Thornton, Ph. D, Chairman, Board of Education
Monica Goldson, Ed. D, Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D, Chief, School Support and Leadership
David Curry, Ed. D, Associate Superintendent, Middle Schools
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Suzann King, Esq., Executive Director, Board of Education
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Janice Walters-Semple, CPA, Supervisor, Internal Audit
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

**Ernest Everett Just Middle School
Student Activity Funds**

For the Period Ended April 30, 2020

Ernest Everett Just Middle School
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For the Period Ended April 30, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Ernest Everett Just Middle School for the period July 1, 2016 through April 30, 2020. Ernest Everett Just Middle 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 Governmental Accountability Office 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 Funds Received;*
- *Mismanagement of Disbursements;*
- *Year-End Monetary Transmittal Form Envelopes Submission;*
- *Administration of Vending Machine;*
- *Record Retention; and*
- *Deficits in Restricted Accounts*

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 April, 2020

Michele Winston, CPA
Director, Internal Audit



Ernest Everett Just Middle School
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SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for Ernest Everett Just Middle School for the period July 1, 2016 through April 30, 2020. The audit was conducted as part of the audit plan for the year.

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 Accounting Procedures Manual for School Activity Funds 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 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 April 30, 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 Funds Received

The following exceptions pertaining to the management of funds received were identified:

- A. ***Delinquent Deposits:*** There were **7** instances where funds received were not deposited timely. The delinquency ranged from **1 to 27** days after initial collection by staff members.
- B. ***Insufficient Documentation:*** There were **24** instances where the documentation to support the funds received were inadequate. The funds received lacked supporting documentations such as inventory reports for snacks sold for fundraising, cost of tickets sold at events such as a dance and bookfair sales report.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states the following pertaining to cash receipts:

- A. All funds collected must be submitted to the Bookkeeper on the day of collection, along with a completed MTF. The Bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- B. The MTF must be completely filled out 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, should be used as attachments.

The following are causes for the instances of mismanagement of receipts:

- A. According to the recordkeeping staff, all staff members were informed of the requirements for remitting collected funds daily. However, some staff members have not always complied and were not held accountable for compliance with the requirement for daily remittance of funds.
- B. The staff members were not familiar with all of the documentation required to substantiate funds received such as bookfair receipts and dance reports.

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Funds kept in staff member's possession overnight constitute non-compliance with Board policies and procedures and increases the risk of loss and fraud and prevents the recordkeeping staff from making deposits as required.

Inadequate supporting documentation destroys the audit trail, results in the compromise of audit evidence and reduces the assurance that, receipts were recorded appropriately and in accordance with the prescribed collection policy.

Recommendations: The following steps must be taken to address mismanagement of collection of funds:

- A. The principal and recordkeeping staff must establish specific guidelines for remittance of funds by staff members, e.g. a designated time during the day for funds to be remitted to the front office. All staff members must be reminded that, all transactions must be conducted according to the criteria in the APM and be held accountable for compliance.
- B. Staff members must be reminded and held accountable for providing appropriate documentation that is required to substantiate funds collected. Such documentation should include daily bookfair receipts, ticket report for funds collected at events and inventory report, when items for fundraisers are sold.

2021.02 Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Inadequate Documentation of Disbursements:*** There were **5** instances where the School Funds Expenditure Forms (SFEF) lacked the pertinent itemized documentation to substantiate the amount of the checks. Receipts to substantiate expenditures were not available for review in the noted instances.
- B. ***Inadequate Approval:*** There were **7** instances where either the principal's preapproval was not obtained prior to the school being obligated; the funds available section of the SFEF was not completed or a person, other than the principal approved disbursements.
- C. ***Stale Checks not Written Off:*** There were **30** instances where stale checks have not been written off as of April 30, 2020. These checks have been on the school's accounting records between 242 to 307 days.

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The APM, Section 4.5.3.1 provides the following provisions pertaining to the management of disbursements:

- A. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sale, etc.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The designated section of the SFEF for entering the availability of funds must be completed to facilitate adequate approval of expenditures. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete the SFEF. The employee can be held personally liable for the obligation, if this procedure is not followed. Further, the principal is the fiduciary agent for SAF. As such, responsibility for accounting, safeguarding and managing the SAF, in accordance with PGCPs policies and procedures, rest solely with the principal. The principal may delegate approval authority to the assistant principal when he or she will be out for extended periods.
- C. When SAF checks issued have not been cashed within a reasonable time, at least six months, it is referred to as a stale check. The bookkeeper is expected to investigate the circumstances concerning the issuance of the check and attempt to determine from the payee why the check was not cashed. After this determination, the stale check is required to be either reissued or 'written-off.'

The following are causes for the instances of mismanagement of disbursements:

- A. Reportedly, the **5** instances of inadequate documentation occurred because the recordkeeping staff failed to properly review cash disbursement documentation provided and follow-up with the staff members for regarding additional documentation, e.g. receipts to substantiate disbursements.
- B. According to the principal, verbal approval was provided for an event while specific instruction for the staff member to obtain written pre-approval was also required; however, the staff member failed to obtain written approval prior to purchasing the items. Under a prior principal items were purchased when the principal was out on sick leave in the other instances.
- C. Due to low patronage of Agenda Books sales, the school decided to distribute the books to students at no charge. The refund to students who had already paid was for \$5 per book. The stale checks were not cashed and the recordkeeping staff failed to void all of the checks.

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There is increased financial risk to the school when sufficient documentation is not provided to substantiate disbursements. Also, inadequate approval of expenditures can result in accounts being overspent and eventually insolvency of the school's SAF. There is financial risk to the school when expenditures are approved by staff members who are not appropriately authorized with this responsibility. Also, financial records are inaccurate when stale checks are kept on the school's accounting records excessively.

Recommendation: The following steps must be taken to address mismanagement of disbursements:

- A. The recordkeeping staff and principal should review all disbursement requests and ensure that, the supporting documentation includes an original cash register receipt, invoice, bill of sale, etc. prior to approving expenditures and preparing checks. The recordkeeping staff must be held accountable for ensuring the adequacy of disbursement documentation.
- B. The Principal and recordkeeping staff should implement controls over the expenditure pre-approval process. Staff members must be trained on the process and be reminded to obtain approval of the SFEF prior to placing orders. Staff members must be held accountable for compliance.
- C. The principal and recordkeeping staff must review the cash disbursement register and bank reconciliations during the monthly financial review process to ensure that stale checks are promptly addressed and timely removed from the school's financial records. The stale checks that were included in the April 30, 2020 bank reconciliation must be written-off promptly.

2021.03 Year-End Monetary Transmittal Form Envelope Submission

The year-end MTF envelope submission process was not operating as required. During FY 2019, there were 4 staff members who did not submit the yellow or pink MTF remittances. Also, in FY 2018 a staff member did not turn in an MTF envelope to account for 6 MTFs.

The MTF instructions as outlined in the APM requires the pink copy of the MTF to be retained by the preparers of the form. The white and yellow copies are to be submitted to the bookkeeper with funds. After approval, the bookkeeper returns the yellow copy to the originator. Prior to departing at year-end, faculty and program managers are to submit the pink and yellow copies of the MTF(s) in sealed envelopes (with their signature over the seal) to the designated administrator. The bookkeeper will print the *SFO Receiptee History* report and submit it to a designated administrator. This alerts the administrator which MTF envelope packages to expect.

Each staff member was sent an email that their envelopes needed to include all MTF remittance and be sealed. However, not all staff members followed the process as required.

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The audit trail for ensuring that all SAFs collected are subsequently deposited was weakened and the potential for loss of assets increased because of noncompliance with the MTF envelope submission process.

Recommendation: Staff must be reminded of the MTF Envelope Submission requirements and held accountable for returning MTF remittances in signed, sealed envelopes to the principal or designated administrator as part of the year-end check-out process. The process should be explained to staff members during an in-service training.

2021.04: Administration of Vending Machine

A vending contract was not signed for the FY2020 school year although the school operated a vending machine from the staff lounge.

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

According to the principal, failure to renew the vending contract was an oversight on her part. As such, the school may not be deriving maximum benefits from operation of the vending machines.

Recommendation: The principal must remember to sign a new contract for the new school year, FY 2021 in keeping with the requirement of the APM. The contract must stipulate commissions due the school and frequency with which these commissions are remitted. The contract term must not exceed one year as required by the APM.

2021.05: Record Retention

The following financial documents could not be located for review during the audit:

- A. Documentation to substantiate approval of **3** journal entry transfers affecting restricted accounts: *Student Pictures to Fieldtrips, Student Pictures and Box Tops to Agenda Books*.
- B. There were instances where documentation to support **4** voided checks were missing. Specifically, check images and void check proof sheets were not located.
- C. There were **7** instances where documentation to support funds disbursed were not located. The SFEFs and supporting documents were not made available for review.

According to Section 6.12 of Accounting Procedural Manual, *Record Retention*, All SAF records must be retained for a period of **7** years and or until audited, including the current fiscal

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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 recordkeeping staff recalls a conversation with the Accounting and Financial Reporting Office, but a documented approval was not provided for the transfer. The voided check images and School Funds Expenditure Forms were part of a set of documents that the school had misplaced and could not locate.

Internal Audit was unable to verify whether the related transactions were processed in accordance with the requirements of the APM because of the unavailability of this documentation.

Recommendation: The recordkeeping staff and principal must implement an adequate records management system that ensures all financial records are properly compiled, filed and are maintained until they are audited and or required for review by any approved individual of organization in accordance with the APM.

2021.06: Deficits in Restricted Accounts

The following restricted accounts had deficits as of April 30, 2020 which aggregated to approximately **(\$3,446.55)**. These deficits also existed as of December 31, 2015, the date of the previous audit.

Account	Ending Balance
424.00 Parent Liaison	(\$703.61)
521.00 I-PAS	(\$1,457.29)
522.00 GTT	(\$1,285.65)
Total	(\$3,446.55)

According to the APM, the principal as the fiduciary agent for the SAF, should ensure all accounts are solvent at all times.

According to the recordkeeping staff, the deficits predate her and the principal's tenure, as such, she is not aware of the circumstances that gave rise to the deficits. Excessive spending in restricted accounts have resulted in insolvency in the respective accounts and could result in insolvency of the SAF.

Recommendation: The principal should liaise on with the Accounting and Financial Reporting Office about possible options to resolve the deficits in the accounts and possibly close the fund accounts.

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STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Ernest E. Just Middle School was issued for the period ended December 31, 2015. The current principal was not in her current position at the time but the recordkeeping staff was. There were 8 findings in the previous report and 5 are repeated. The following findings were noted as a result of the last audit and their current status is indicated below.

- ***Inadequate Internal Controls Over Administration of Checks*** - Condition was not noted during this audit.
- ***Delinquent Deposit of Funds Received*** - Condition still exists. See finding 2021.01 regarding *Mismanagement of Funds Received*.
- ***Deficit in Principal Sponsored Activities (PSA) Fund Account*** - Condition was not noted during this audit.
- ***Inadequate Approval of Expenditures***- Condition still exists. See finding 2021.02 regarding *Mismanagement of Disbursements*.
- ***Fundraiser Forms Not Completed Fundraiser Forms***- Condition was not noted during this audit.
- ***Contracts Not Executed as Required*** - Condition still exists. See finding 2021.04 regarding *Administration of Vending Machine*.
- ***Inadequate Supporting Documentation of Disbursements and Funds Received*** – Condition still exists. See finding 2021.02 regarding *Mismanagement of Disbursements*.
- ***Year End Monetary Transmittal Forms Procedures Not Followed*** – Condition still exists. See finding 2021.03 regarding *Year-End Monetary Transmittal Form Envelopes Submission*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Ernest Everett Just Middle School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Ernest Everett Just ES**

Response Date September 21, 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 Funds Received</u>	<p>A. The principal and recordkeeping staff must establish specific guidelines for remittance of funds by staff members, e.g. a designated time during the day for funds to be remitted to the front office. All staff members must be reminded that, all transactions must be conducted according to the criteria in the APM and be held accountable for compliance.</p> <p>B. Staff members must be reminded and held accountable for providing appropriate documentation that is required to substantiate funds collected. Such documentation should include daily bookfair receipts, ticket report for funds collected at events and inventory report, when items for fundraisers are sold.</p>	Concur	<p>The Bookkeeper will develop a training and checklist for staff members that outlines money collecting procedures, inclusive of timelines, and expectations.</p> <p>Before collecting funds, staff members must participate in the training and sign off stating understanding and adherence to collection procedures.</p>	<p>October 2nd</p> <p>Before any monetary collection</p>	<p>Not Implemented</p> <p>Not Implemented</p>
2.	<u>2021.02 Mismanagement of Disbursements</u>	<p>A. The recordkeeping staff and principal should review all disbursement requests and ensure that, the supporting documentation includes an original cash register receipt, invoice, bill of sale, etc. prior to approving expenditures and preparing checks. The recordkeeping staff must</p>	Concur	<p>The Bookkeeper will ensure the attachment of all necessary documentation (receipts, invoices, etc.) before presenting to the principal for signature.</p>	8/31 – 6/21	Implemented

Principal Signature Maryam Thomas

Date 9/18/2020



		<p>be held accountable for ensuring the adequacy of disbursement documentation.</p> <p>B. The Principal and recordkeeping staff should implement controls over the expenditure pre-approval process. Staff members must be trained on the process and be reminded to obtain approval of the SFEE prior to placing orders. Staff members must be held accountable for compliance.</p> <p>C. The principal and recordkeeping staff must review the cash disbursement register and bank reconciliations during the monthly financial review process to ensure that stale checks are promptly addressed and timely removed from the school's financial records. The stale checks that were included in the April 30, 2020 bank reconciliation must be written-off promptly.</p>		<p>The Bookkeeper will provide SFEE request forms to principal to sign before processing any disbursements.</p> <p>The principal and bookkeeper will meet monthly to review recordkeeping and bank reconciliations.</p> <p>The bookkeeper will reconcile stale checks from April 30th and send confirmation email.</p>	<p>8/31-6/21</p> <p>8/31 – 6/21</p> <p>9/25</p>	<p>Implemented</p> <p>Partially implemented</p> <p>Implemented</p>
3.	<u>2021.03 Year-End Monetary Transmittal Form Envelope Submission</u>	Staff must be reminded of the MTF Envelope Submission requirements and held accountable for returning MTF remittances in signed, sealed envelopes to the principal or designated administrator as part of the year-end check-out process. The process should be explained to staff members during an in-service training.	Concur	<p>The bookkeeper will conduct during a staff meeting before any funds are collected for the school year.</p> <p>Before disbursing MTF forms the bookkeeper will remind staff members of the year-end requirements and will log each assigned MTF.</p> <p>The Bookkeeper will provide each staff member with a brown envelope to house MTF receipts until the end of the year, when the envelope must be sealed and signed.</p>	<p>Will occur once we move to hybrid schedule.</p> <p>2/10 – 6/21</p>	Not implemented

Principal Signature Maryam Thomas



Date 9/18/2020

4.	<u>2021.04: Administration of Vending Machine</u>	The principal must remember to sign a new contract for the new school year, FY 2021 in keeping with the requirement of the APM. The contract must stipulate commissions due the school and frequency with which these commissions are remitted. The contract term must not exceed one year as required by the APM.	Concur	Contact current vending supplier to receive updated contract to sign and file. The principal will set a calendar reminder to request a new contract before the expiration of the current contract.	9/25 6/21	Not implemented
5.	<u>2021.05: Record Retention</u>	The recordkeeping staff and principal must implement an adequate records management system that ensures all financial records are properly compiled, filed and are maintained until they are audited and or required for review by any approved individual of organization in accordance with the APM.	Concur	Designate secure location for EOY forms and records Set a date for completion of EOY recordkeeping review and filing Bookkeeper will provide principal with signature form to confirm completion of EOY record retention process.	8/31 6/25 6/25	Implemented Not implemented Not implemented
6.	<u>2021.06: Deficits in Restricted Accounts</u>	The principal should liaise on with the Accounting and Financial Reporting Office about possible options to resolve the deficits in the accounts and possibly close the fund accounts.	Concur	The principal will request a meeting with Katrina Greene, SAF Support Specialist, to identify options to resolving deficit accounts that proceeded tenure.	9/25	Implemented

Principal Signature Maryam Thomas

Date 9/18/2020

