



March 14, 2023

MEMORANDUM

To: Darryl Evans, Ed. D., Instructional Director
Cluster 5

Megan Ashworth, Ed. D., Principal
Barack Obama Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period August 1, 2016 through November 30, 2022

An audit of the financial records of **Barack Obama Elementary School** was completed for the period August 1, 2016 through November 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 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 **April 14, 2023** 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 your action plan 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 Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Judy Mickens-Murray, Board Chair
Monica Goldson, Ed. D, Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Lisa Howell, Acting Chief Financial Officer
James Dougherty, Director, Financial Services
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**Barack Obama Elementary School
School Activity Funds**

For the Period Ended November 30, 2022

Barack Obama Elementary School
School Activity Funds
Internal Audit Report
For the period ended November 30, 2022

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Barack Obama Elementary School for the period August 1, 2016 through November 30, 2022. Barack Obama 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:

- *Delinquent Deposits,*
- *Mismanagement of Disbursements, and*
- *Administration of Fundraising Activities*

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 November 30, 2022.



Michele Winston, CPA
Director, Internal Audit

Barack Obama Elementary School
School Activity Funds
Internal Audit Report
For the period ended November 30, 2022

SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Barack Obama Elementary School for the period August 1, 2016 through November 30, 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 for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **3** 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 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 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period August 1, 2016 through November 30, 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:

2023.01: Delinquent Deposits

There were **4** instances where funds collected were deposited between 23 and 41 days delinquent.

According to the APM, Section 4.5.2.2 (2) *Procedures: Guidelines for Bank Deposits* bookkeepers are required to make deposit of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.

The recordkeeping staff explained that the school was understaffed for a period of time which required performance of duties of 2 personnel. This impacted the ability to complete tasks in a timely manner.

Delinquent deposit of funds received constitute noncompliance with BOE policies and procedures, impacts the quality of financial reporting and increases the risk of loss to the school.

Recommendation: The principal must allocate a specific time during the work day to allow the recordkeeping staff to perform the recordkeeping duties including making deposits with the bank promptly.

2023.02: Mismanagement of Disbursements

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

- ***Inadequate Documentation*** - Check # 1969 was issued for Agenda books purchased by the school. The expenditure in the amount of \$1,051.25 was supported with an order form instead of a vendor invoice.
- ***Un-located Voided and Cancelled Checks*** – There were **39** instances where cancelled checks could not be located for review. There were also **5** instances where voided checks were not available for review.
- ***Noncompliance with Dual Signature Requirement*** - Check # 1947 processed FY 2021 in the amount of \$14,860 did not include 2 authorized signatures as required.
- ***Mismanagement of Void Checks*** – There were **6** instances where voided checks were not entered in the accounting system - SFO.

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The APM Section 4.5.3.2 *Summary of Check Disbursement Procedures* include the following guidelines for processing disbursements:

1. All expenditures must be supported by itemized receipt(s) or invoice(s),
2. Two authorized signatories are required to sign all checks, and
3. All checks must be accounted for

Also, Section 6.12, *Record Retention* requires the retention of all of the school's financial records for a period of 7 years and or until audited including the current fiscal year.

The recordkeeping staff acknowledged the errors and realized that adequate supporting documentation should have been required prior to processing payments. The recordkeeping staff explained that voided checks were excluded from SFO as a result of not being aware that the damaged checks must be posted in SFO. Missing documentation occurred as a result of misfiling. Reportedly, failure to obtain a second signature on check #1947 was an oversight by the recordkeeping staff.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Improper retention of financial documents hinders access and proper review as and when needed.

Recommendations: The following steps should be taken to improve the management of disbursements:

1. An adequate records management system must be implemented that ensures the maintenance of all financial records in an organized manner. Specifically, voided and cancelled checks must be maintained for the required 7 years or until the audit.
2. The recordkeeping staff must exercise due care to ensure that the required signatures are affixed to all checks processed to mitigate the risk of fraud.
3. The recordkeeping staff must ensure that all checks, including voided checks, are entered in the accounting system.
4. The principal should conduct frequent review of financial records to ensure completeness and accuracy. The recordkeeping staff must be held accountable for compliance.

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2023.03: Administration of Fundraising Activities

The school conducted the following 5 sponsored fundraising events during the audit period. The required Fundraiser Request and Authorization Forms and Fundraiser Completion Reports were not used as required.

Period	Account No.	Fundraising Activities	Amount raised
November 2021	513.00	Jog-a-thon	\$ 4,659.00
November 2022	513.00	Jog-a-thon	\$ 5,622.00
June 2021	720.07	FR/BJ's Wholesale	\$ 841.10
June 2022	720.08	Box Top	\$ 204.98
Oct 2022	720.08	Box Top	\$ 800.59
		TOTAL	\$12,127.67

AP 5135.1 (Fund Raising) and 5135.2 (Principal's Contracting Authority) provides specific guidance concerning fundraising. First, the fundraiser must be formally approved by the Principal using a Fundraiser Authorization Form. Next, the purpose must be designated and communicated for each fundraiser. If a fundraiser involves a contract, the Principal has limited authorization to execute such agreements involving the use of School Activity Funds. All expenditures are restricted to the specified purpose and at the conclusion of an event, a Fundraiser Completion Report must be prepared by the sponsor, reviewed and acknowledged by the principal.

The recordkeeping staff was unaware of the fundraising procedures and acknowledged the forms had not been used.

The absence of fundraising documentation negates evidence to verify that related SAF reported as collected or disbursed were complete, accurate and/or recorded timely. The risk of fraud is also increased in the absence of appropriate fundraiser forms.

Recommendations: The following should be implemented to ensure that fundraising activities are properly administered:

1. The principal and recordkeeping staff must review the requirements for administering fundraisers as outlined in AP 51.35.1 and the APM to ensure that all fundraising activities are conducted accordingly.
2. The principal should provide training to staff to make them aware of the requirements to be followed.

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3. The principal should ensure that the financial records, including fundraising forms, are reviewed on a monthly basis for accuracy and completeness. Staff members must be held accountable for compliance.
4. An appropriate records management system must be implemented to secure fundraiser forms and make them available to authorized personnel upon request.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Barack Obama Elementary School was issued for the period ended July 31, 2016. The principal was in the current position during that audit; however, the recordkeeping staff was not. The current recordkeeping staff's tenure began in August 2016. The previous audit included 4 audit findings and 3 repeated in part in the current audit report. The following findings were noted as a result of that audit and the current status is indicated below:

2017.01: Mismanagement of Funds Received

- *Missing Funds: not observed*
- *Failure to Maintain Adequate Segregation of Duties: not observed*
- *Delinquent Deposits – still observed See 2023.01; Delinquent Deposits*
- *Inadequate Supporting Documentation: not observed*

2017.02 Mismanagement of Disbursements

- *Inadequate Approval of Purchases – not observed*
- *Inadequate Supporting Documentation – still observed See 2023.02, Mismanagement of Disbursements*

2017.03: Administration of Checks

- *Cancelled Checks: one signature on checks - still observed See 2023.02, Mismanagement of Disbursements*
- *Voided Checks: approval of void checks – no longer a requirement*

2017.04: Drop Safe not on Premises - resolved

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Barack Obama ES
Response Due Date April 14, 2023

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Delinquent Deposits</u>	The principal must allocate a specific time during the work day to allow the recordkeeping staff to perform the recordkeeping duties including making deposits with the bank promptly.	Concur	Dr. Ashworth will allow time during the work day for the staff to perform record keeping duties and make sure deposits are deposited promptly.	Beginning Immediately March 2023	
2.	<u>2023.02: Mismanagement of Disbursements</u>	The following steps should be taken to improve the management of disbursements: 1. An adequate records management system must be implemented that ensures the maintenance of all financial records in an organized manner. Specifically, voided and canceled checks must be maintained for the required 7 years or until the audit. 2. The recordkeeping staff must exercise due care to ensure that the required signatures are affixed to all checks processed to mitigate the risk of fraud.	Concur	Canceled and voided checks will be filed separately in a folder each month. Dr. Ashworth will remind Ms. Collier the importance of checks having all required signatures before they are disbursed. Ms. Collier will be sure to enter all are recorded in the accounting system.	March 2023	

Principal Signature

Megan Ashworth

Date

4/19/23

		<p>3. The recordkeeping staff must ensure that all checks, including voided checks, are entered in the accounting system.</p> <p>4. The principal should conduct frequent review of financial records to ensure completeness and accuracy. The recordkeeping staff must be held accountable for compliance.</p>		<p>Dr. Ashworth will review all financial reports for completeness and accuracy. Dr. Ashworth will meet with Ms. Collier on a bi-weekly basis.</p>		
3.	<p><u>2023.03:</u> <u>Administration of Fundraising Activities</u></p>	<p>The following should be implemented to ensure that fundraising activities are properly administered:</p> <p>1. The principal and recordkeeping staff must review the requirements for administering fundraisers as outlined in AP 51.35.1 and the APM to ensure that all fundraising activities are conducted accordingly.</p> <p>2. The principal should provide training to staff to make them aware of the requirements to be followed.</p>	Concur	<p>Dr. Ashworth and Ms. Collier will both review the procedure to administer and approve fundraisers. Staff will receive professional development training regarding this action item 4x during the school year.</p> <p>Dr. Ashworth will have a meeting with all staff at the beginning of the year to explain the procedures for all fundraising activities.</p> <p>Dr. Ashworth will review all fundraiser records for accuracy and</p>	March 2023	

Principal Signature Meghan Ashworth
Date 4-19-23

		<p>3. The principal should ensure that the financial records, including fundraising forms, are reviewed on a monthly basis for accuracy and completeness. Staff members must be held accountable for compliance.</p> <p>4. An appropriate records management system must be implemented to secure fundraiser forms and make them available to authorized personnel upon request.</p>		<p>and completeness making sure the records are compliant.</p> <p>Ms. Collier will organize a records management system making the form available to authorized staff upon request.</p>		
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Principal Signature Megan Ashworth

Date 4/19/23