August 31, 2022

MEMORANDUM

To: Danielle Moore, Ed. D., Instructional Director
Cluster 7

Cameron Millspaugh, Principal
Samuel Ogle. Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period April 1, 2017 through April 30, 2022

An audit of the financial records of **Samuel Ogle Middle School** was completed for the period April 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 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 30, 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 Greene, School Activity Funds 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
Helen Coley, Ed. D., Chief of School Support and Leadership
David Curry, Ed. D., Associate Superintendent, Middle Schools
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Joeday Newsom, Esq., Director, Board of Education Staff Office
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

Samuel Ogle Middle School
School Activity Funds

For the Period Ended April 30, 2022

Samuel Ogle Middle School
School Activity Funds
Internal Audit Report
For the period ended April 30, 2022

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Samuel Ogle Middle School
School Activity Funds
Internal Audit Report
For the period ended April 30, 2022

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Samuel Ogle Middle School for the period April 1, 2017 through April 30, 2022. Samuel Ogle 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 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:

- *Administration of Financial Records*
- *Delinquent Deposit of Funds received*
- *Mismanagement of Disbursements*
- *Delinquent Monthly Bank Reconciliations*

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 30, 2022.

Michele Winston, CPA
Director, Internal Audit

Samuel Ogle Middle School
School Activity Funds
Internal Audit Report
For the period ended April 30, 2022

SUMMARY

An audit of the school activity funds (SAF) of Samuel Ogle Middle School was completed for the period April 1, 2017 through 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 **4** findings which occurred under the leadership of the current principal and acting 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 April 1, 2017 through April 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.

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Administration of Financial Records

The school's financial records were not maintained in an organized manner:

- MTF Logs, Fundraising records and fund transfer documents were not always available for review.
- Cancelled checks, MTFs and School Funds Expenditure Forms (SFEFs) were not filed in sequential order as required.
- MTFs (2), 17 Cancelled checks and 15 void checks were not located during the audit.

APM Section 6.12 Record Retention requires all SAF records must be retained for a period of seven (7) years and or until audited, including the current fiscal year.

The recordkeeping staff claimed to not have a clear understanding of the documents to be maintained and made available for review.

An inadequate records management system impacts the retrieval and access to requested documents. The information to ascertain that internal controls were operating effectively is negated in the absence of relevant financial records.

Recommendations: The following steps should be performed to ensure proper records management.

1. The principal should contact Accounting and Financial Reporting, for assistance in providing training to the recordkeeping staff to ensure accurate recording of financial transactions occurs.
2. The recordkeeping staff must read the APM for guidance on administration of financial records.
3. The principal should conduct consistent review of the school's financial records to determine proper organization and accuracy. All staff must be held accountable for compliance.

2023.02: Delinquent Deposit of Funds Received

There were **7** instances where funds collected from students as documented on MTFs were not deposited timely. The delinquency ranged from 4 to 23 days.

According to the APM on *Guidelines for Bank Deposits* Bookkeepers must make deposits of all funds received at least every other day. However, no more than $250 should be kept in the building overnight.

The principal and recordkeeping staff explained that staff were not always aware of the timeline required to remit SAF along with the completed MTFs.

Delinquent deposits and inadequate documentation of funds received constitute noncompliance with BOE policies and procedures and increases the risk of loss to the school. Delinquent deposits also impacts the timeliness and accuracy of financial reporting.

Recommendations: The following steps must be taken to improve the management of funds received:

1. A refresher training should be held to remind all staff members of their responsibility for remitting collections as required.

2. The principal should conduct periodic reviews of the school financial records to ensure timeliness of deposits.

2023.03: Mismanagement of Disbursements

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

- ***Delinquent Payment:*** *There were 2 instances where vendor payments were processed delinquently.* Expenditures were approved after the purchases were made in those instances. The delinquency was 191 and 9 days.

- ***Incomplete School Funds Expenditure Forms*** **-** There were 10 instances where the SFEFs were not completed entirely. The third section where the purchase detail is required to be documented was either partially completed or was left blank.

The APM, Section 4.5.3.1 *Procedures* requires completion, and approval of the SFEF by the principal prior to the purchasing goods or services. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed. The APM also requires the payment of invoices by the due date or within 30 days of receipt.

The APM Section 3.2.2 *Bookkeepers/Financial Secretaries* – states the Bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.

The principal and recordkeeping staff explained that their lack of knowledge of the financial procedures lead to lapses in the administration of disbursements.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Untimely payment of vendor invoices may result in the school being assessed late fees. Also, incomplete recording of purchases could impact the accuracy with which checks are processed.

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

1. The principal and recordkeeping staff should request a refresher training from the Accounting and Financial Reporting Office relative to their responsibilities for administration of disbursements.

2. Provisions must be made to ensure the timeliness of submission of request for expenditures and prompt processing of vendor payments.

3. The principal must review the financial records to ensure completeness and prompt processing. The recordkeeping staff must be held accountable for compliance.

2023.04: Untimely Monthly Bank Reconciliations

There were **4** instances where monthly bank reconciliations were prepared and reviewed after the due date (15th day of the subsequent month). The bank reconciliations were completed between 4 and 60 days delinquent.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the bank account must be reconciled within 7 days of receipt of the bank statement. The principal is also required to conduct the review of bank reconciliations by the 15th day of each month.

The principal and recordkeeping staff explained that the last trimester reports for FY 2021 were late because the former principal delayed forwarding the bank statements to the recordkeeping staff for preparation of the monthly bank reconciliation. The original copies of bank statements and reports are still with the former principal. The delinquent monthly bank reconciliation in FY 2022 occurred because the recordkeeping staff was ill.

Delinquent reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and confirm individual transactions may be impacted.

Recommendation: The principal should enforce the requirement that monthly bank reconciliations are prepared and reviewed as required. Assistance must be sought from Accounting and Financial Reporting in extenuating circumstances.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Samuel Ogle Middle School was issued for the period ended March 31, 2017. The principal and recordkeeping staff were not in their current positions during that audit. The current principal's tenure began in August 2021 and the recordkeeping staff's tenure began in August 2018. The previous audit included 4 findings and 2 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:

- ***Management of Disbursements* –** This condition was partially noted during this audit. **See Finding 2023.03** regarding *Mismanagement of Disbursements: Delinquent Payments.*

- ***Management of Funds Received* -** This condition was partially noted during this audit. **See Finding 2023.02** regarding *Delinquent Deposits.*

- ***Management of Sales Tax* –** This condition was not noted during the audit.

- ***Year-End Monetary Transmittal Form Envelopes Submission Process*** - This condition was not noted during the audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Samuel Ogle MS
Response Date September 30, 2022

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	**2023.01 Administration of Financial Records**	The following steps should be performed to ensure proper records management. 1. The principal should contact Accounting and Financial Reporting, for assistance in providing training to the recordkeeping staff to ensure accurate recording of financial transactions occurs. 2. The recordkeeping staff must read the APM for guidance on administration of financial records. 3. The principal should conduct consistent review of the school's financial records to determine proper organization and accuracy. All staff must be held accountable for compliance.	1. Concur 2. Concur 3. Concur	1. As part of our action plan moving into the audit period from October 3, 2022 forward, a request for training will be made to the Accounting and Financial Reporting office. 2. The recordkeeping staff will be required to read the APM for guidance on administration of financial records by Feb. 1, 2023 3. The Principal will conduct a consistent review of the school's financial records monthly and triannually to determine proper accuracy. All staff will be held	October 3, 2022 Feb. 1, 2023 Ongoing monthly 10/3/2022 - April 1, 2027	PI PI I

Principal Signature_____

Date_____

				accountable for compliance.		
2.	**2023.02: Delinquent Deposit of Funds Received**	The following steps must be taken to improve the management of funds received: 1. A refresher training should be held to remind all staff members of their responsibility for remitting collections as required. 2. The principal should conduct periodic reviews of the school financial records to ensure timeliness of deposits.	1. Concur 2. Concur	1. During Pre-service week each year conduct a financial session with the bookkeeper and the full staff to review the responsibility of staff members remitting collection of funds. 2. Regularly meet with the bookkeeper with a minimal of bi-weekly meetings to review financial records and timeliness of deposits	August 22, 2022 Sept. 8, 2022	I PI
3.	**2023.03: Mismanagement of Disbursements**	The following steps must be taken to improve the management of disbursements: Specifically: 1. The principal and recordkeeping staff should request a refresher training from the Accounting and Financial Reporting Office relative to their responsibilities for administration of disbursements. 2. Provisions must be made to ensure the timeliness of submission of request for expenditures and prompt processing of vendor payments.	1. Partially Concur 2. Concur 3. Concur	1. A refresher training from the Accounting and Financial Reporting Office will be requested based on the needs of the regular reviews that are being bi-weekly. 2. Protected time will be built into the duty day for the bookkeeper in order to process vendor payments. Staff will be trained on the	Sept. 8, 2022 August 22, 2022	NI I

Principal Signature_____

Date_____

		3. The principal must review the financial records to ensure completeness and prompt processing. The recordkeeping staff must be held accountable for compliance.		timeliness of submission for expenditures. 3. Regular reviews will be conducted to ensure completeness and prompt processing on a weekly basis.	August 22, 2022	I
4.	**2023.04: Untimely Monthly Bank Reconciliations**	The principal should enforce the requirement that monthly bank reconciliations are prepared and reviewed as required. Assistance must be sought from Accounting and Financial Reporting in extenuating circumstances.	Concur	Monthly reconciliation reports will be reviewed and prepared as required.	July 1, 2022	I

Principal Signature_____

Date_____