



December 5, 2022

MEMORANDUM

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

Shelita Campbell, Ed. D. Principal
Thomas Johnson Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of August 31, 2022

An audit of the financial records of **Thomas Johnson Middle School** was completed for the period November 1, 2017 through August 31, 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 **January 5, 2023** 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 Fund 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
Helen Coley, Ed. D., Chief, School Support and Leadership
David Curry, Ed. D., Associate Superintendent
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq., Staff Director, Board of Education Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal
Alicia Robinson, Internal Auditor II

Internal Audit Report

Thomas Johnson Middle
School

Student Activity Funds

For the Period Ended August 31, 2022

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Student Activity Funds
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Thomas Johnson Middle School for the period November 1, 2017 to August 31, 2022. Thomas Johnson Middle School 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:

- *Administration of Funds Received*
- *Delinquent Payment of Invoices*
- *Principal Sponsored Activity Fund Account Deficit*
- *Administration of Voided Checks*
- *Fundraiser Reports Not Completed*

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, the SAF referred to above, has been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended August 31, 2022.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the student activity funds (SAF) for Thomas Johnson Middle School for the period November 1, 2017 to August 31, 2022. The audit was conducted as part of the annual audit plan.

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 for School Activity Funds (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period November 1, 2017 to August 31, 2022. Also, available receipts, disbursements and supporting documentation were reviewed for the said period.

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Mismanagement of Funds Received

There were at least **7** instances of non-compliance regarding the administration of receipts. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **2** instances where funds were collected by staff and not remitted timely. Funds totaling \$300.00 were collected beginning May 6, 2021 for Chromebooks but were not remitted to the recordkeeping staff until August 25, 2021, resulting in grossly delinquent remittance of approximately **111** days. Also, partial funds totaling \$150.00 for yearbooks were collected on June 9, 2022, but were not remitted until June 14, 2022, resulting in

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approximately 5 days delinquency. *This condition was noted in the previous audit as of October 31, 2017.*

- B. ***Year-End Monetary Transmittal Form (MTF) Procedures Not Followed:*** The year-end MTF submission process is not operating as required by the policies outlined in the APM. There were at least **2** staff members (2 MTFs) in FY 2021 and **3** staff members (13 MTFs) in FY 2022 who failed to remit their end-of-year MTFs. *This condition was noted in the previous audit as of October 31, 2017.*

The following criteria are established in the APM:

- A. The APM section 4.5.2.2 (1), (2) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF*, and (3) *Preparing Bank Deposits*, require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution. Staff should ensure that the documentation is accurately stated and totals match the amount of funds remitted to the bookkeeper.
- B. The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO “*Receiptee History*” Report and submit it to the designated administrator. This alerts the administrator which MTF envelope packages to expect.

The following causes resulted from the non-compliance regarding the management of funds received:

- A. The staff failed to remit funds timely to the former recordkeeping staff. The staff retained funds for periods longer than acceptable and did not remit them timely to the recordkeeping staff.
- B. The former principal failed to ensure, as part of the end-of-year checkout, that all end-of-year MTFs were submitted from staff prior to the close of school for FY 2021 and FY 2022.

The following effect resulted from the non-compliance of management of funds received:

- A. The staff were not held accountable for remitting **all** funds timely to the recordkeeping staff. Internal controls are compromised when funds are retained

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in the school for several days. Failure to remit funds timely constitutes a compromise of internal controls and increases the risk for embezzlement or loss of funds.

- B. The ineffective year-end MTF submission process constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendations: The following recommendations are suggested to help ensure collections are properly managed:

- A. Staff members must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis and verifying the source of funds to the MTF.
- B. The principal and/or the principal's designee, with the assistance of the SFO Receiptee History report provided by the financial recordkeeping staff, should ensure that all envelopes are collected prior to the end of each school year.

2023.02 Delinquent Payment of Invoices

There were at least **4** payments made to vendors after the due dates on the invoices. The delinquency ranged from **39 to 162** days. Examples of the 2 most significant delinquencies included the following:

- A former staff member made an initial purchase for fundraiser items on August 19, 2019. Several items were returned on March 24, 2020, for credit, but the staff member did not submit the final invoice until September 2, 2020, resulting in delinquency of **162** days.
- A purchase was made from a vendor with an invoice dated November 17, 2021, and a payment due date of November 17, 2021. The invoice was not received from the staff member until February 16, 2022, and paid on February 17, 2022, resulting in delinquency of **92** days.

The APM Section 4.5.3.1 (2) *Cash Disbursements Inclusion of Supporting Documentation* requires that invoices and/or reimbursements be paid within 30 days of receipt and have appropriate documentation.

Staff members did not ensure that requests for invoice payments were submitted timely to the recordkeeping staff. Also, the further delay of payment resulted when books were returned for credit.

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Delinquent payments can lead to unnecessary late charges or eroding relationships with vendors that could impact students' experiences. *This condition was noted in the previous audit as of October 31, 2017.*

Recommendations: The principal should hold staff accountable for following established procedures. The staff should be retrained on the current procedures specific to the submission of invoices for payment.

2023.03 Principal Sponsored Activity Fund Account Deficit

The Principal Sponsored Activity (PSA) fund account had a deficit of **(\$1,065.41)** as of August 31, 2022. The previous deficit as of the audit period ended October 31, 2017, was **(\$1,914.17)**.

The APM Section 9.6 *Principal Sponsored Activities (PSA) for Staff* indicates discretionary expenditures incurred by the principal on behalf of the school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances the staff member's job performance. Expenditures for authorized principal-sponsored activities are restricted to funds available from the sources as outlined in the manual, which includes 100% vending commissions in the staff lounge, 25% of vending commissions from student-accessed machines up to the first \$50,000.00 and 15% of school-wide fundraising profits. As the fiduciary agent for SAF, the principal should ensure that restricted accounts are solvent at all times.

The current PSA account deficit was a result of the recordkeeping staff incorrectly posting staff-related activities to another account. The corrected posting to PSA resulted in the increased deficit. The PSA expenditures were made without regard to available funding.

Overspending in PSA results in insufficient funds being available to administer students' activities to the general student population. *This condition was noted in the previous audit as of October 31, 2017.*

Recommendation: The current principal should work towards elimination of the PSA deficit. This can be accomplished by the cessation of PSA spending and transferring authorized vending proceeds and school-wide fundraisers until the deficit is completely resolved. Also, focused planning and budgeting should occur to ensure that the school's resources are used efficiently and that further deficits do not occur.

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2023.04 Administration of Voided Checks

There were **13** instances where checks were not properly voided by the removal of the signature line.

The APM, section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires accounting for a physical check when an error is made at the time of processing or when a check is damaged. Voided checks are required to be defaced by the removal of the signature and account lines. The check must be voided in the computer.

The recordkeeping staff reportedly was informed to remove the signature line from the voided checks but failed to do so. The majority of the checks had errors in printing and it was considered unnecessary to remove the signature lines since they were not fully visible.

Inappropriate administration of checks exposes the school to check fraud and waste and abuse of its resources. ***This condition was also noted in the previous audit as of October 31, 2017.***

Recommendation: The recordkeeping staff should ensure that voided checks are administered as required by the APM. The principal should complete a periodic review of voided checks to ensure compliance with BOE policies and procedures. The recordkeeping staff must be held accountable for compliance.

2023.05 Fundraiser Reports Not Completed

The school did not comply with the requirements for administering fundraisers during the audit period as noted below.

- **FY 2019 Fundraiser Completion Reports** – The school conducted **6** club and organization fundraisers but did not prepare fundraiser completion reports.
- **FY 2020 Fundraiser Completion Reports** – The school conducted **17** club and organization fundraisers. There were no fundraiser completion reports prepared for approximately **8** of the fundraisers conducted by clubs and organizations.
- **Annual Fundraising Summary Report** – The annual reports summarizing fundraising activities for FY 2019 and FY 2022 were not obtained to support compliance with the fundraising conducted.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for sponsored

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fundraisers. Annual reports summarizing fundraising activities for all fundraisers are also required. These documents must be maintained on file for public and auditor review upon request.

The former principal failed to adhere to the fundraising requirements. The recordkeeping staff made school staff aware of the requirements for the completion reports, but very few complied. Reportedly, the recordkeeping informed the principal of the non-compliance. Also, the recordkeeping staff stated that the absence of the fundraiser completion reports impacted completion of the annual fundraising summary reports.

It could not be readily determined whether the school's fundraisers yielded an overall profit for the school. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available. *This condition was also noted in the previous audit as of October 31, 2017.*

Recommendation: The current principal must enforce established procedures to ensure completion of all fundraiser documents including the Fundraiser Request and Authorization and Fundraiser Completion Reports for fundraisers held during the school year. Also, the principal or designee should complete reports at the end of each school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Thomas Johnson Middle School was issued for the period ended October 31, 2017. The current principal's tenure began July 1, 2022. The recordkeeping staff was on staff during the previous audit. There were 7 findings noted as a result of the previous audit. There are 6 findings that still exist and all are summarized below:

- **Mismanagement of Funds Received** – Condition still exists. **See Finding 2023.01** regarding *Mismanagement of Funds Received*.
- **Delinquent Payment of Invoices and/or Reimbursements** – Condition still exists. **See Finding 2023.02** regarding *Delinquent Payment of Invoices*.
- **Monthly Reporting** – Controls appear to be working.
- **Principal Sponsored Activity (PSA) Fund Account Deficit** – Condition still exists. **See Finding 2023.03** regarding *Principal Sponsored Activity (PSA) Fund Account Deficit*.

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- **Administration of Voided Checks** – Condition still exists. See **Finding 2023.04** regarding *Administration of Voided Checks*.
- **Fundraiser Forms** – Condition still exists. See **Finding 2023.05** regarding *Fundraiser Reports Not Completed*.
- **Year-End Monetary Transmittal Form Envelope Submission** – Condition still exists. See **Finding 2023.01** regarding *Mismanagement of Funds Received*.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Thomas Johnson MS
Response Date January 05, 2023**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01 Mismanagement of Funds Received</u>	<p>The following recommendations are suggested to help ensure collections are properly managed:</p> <p>A. Staff members must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis and verifying the source of funds to the MTF.</p> <p>B. The principal and/or the principal's designee, with the assistance of the SFO Receiptee History report provided by the financial recordkeeping staff, should ensure that all envelopes are collected prior to the end of each school year.</p>	Concur	<p>Staff members were informed about how to process funds with MTF forms at the September staff meeting. I will retrain staff again mid year in January 2023.</p> <p>At the end of the year an administrator will collect EOY envelopes to ensure that all forms have been collected securely.</p> <p>There will also be a mid year check point with regards to form collection.</p>	<p>9/2022</p> <p>1/2023</p> <p>5/2023</p>	Implemented

Principal Signature *Shelita Campbell*

Date 1/5/23

2.	<u>2023.02 Delinquent Payment of Invoices</u>	The principal should hold staff accountable for following established procedures. The staff should be retrained on the current procedures specific to the submission of invoices for payment.	Concur	We will ensure that payments will be made within the 30 day period. We will review the expenditure forms. Staff will be retrained on these procedures specific to submission of invoices for payment at our January staff meeting.	Monthly 1/2023	Implemented
3.	<u>2023.03 Principal Sponsored Activity Fund Account Deficit</u>	The current principal should work towards elimination of the PSA deficit. This can be accomplished by the cessation of PSA spending and transferring authorized vending proceeds and school-wide fundraisers until the deficit is completely resolved. Also, focused planning and budgeting should occur to ensure that the school's resources are used efficiently and that further deficits do not occur.	Partially Concur	We will not spend any more funding until the deficit is resolved. I have contacted the accounting office to seek guidance for this process.	Ongoing	Partially Implemented
4.	<u>2023.04 Administration of Voided Checks</u>	The recordkeeping staff should ensure that voided checks are administered as required by the APM. The principal should complete a periodic review of voided checks to ensure compliance with BOE policies and procedures. The recordkeeping staff must be held accountable for compliance.	Concur	I will speak with records staff to ensure all checks are retained and properly voided. The signature line will be removed on all voided checks. Principal will review and monitor this process with the bookkeeper on a monthly basis.	Monthly	Implemented

Principal Signature *Shelita Campbell*

Date 1/5/23

<p><u>2023.05</u> <u>Fundraiser</u> <u>Reports Not</u> <u>Completed</u></p>	<p>The current principal must enforce established procedures to ensure completion of all fundraiser documents including the Fundraiser Request and Authorization and Fundraiser Completion Reports for fundraisers held during the school year. Also, the principal or designee should complete reports at the end of each school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.</p>	<p>Concur</p>	<p>The record keeping staff will ensure that the information is reviewed with staff to ensure that all staff get approval, get a fundraiser completion report and the annual summary report to be completed at the end of the year.</p>	<p>January and February 2023</p>	<p>No Implemented Yet To be implemented in 2023</p>
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Principal Signature *Shelita Campbell*

Date 1/5/23