

Internal Audit Report

G. James Gholson Middle School School Activity Funds

For the Period Ended August 31, 2023

G. James Gholson Middle School
Internal Audit Report
For Period Ended August 31, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of G. James Gholson Middle School for the period January 1, 2018 to August 31, 2023. G. James Gholson Middle 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:

- Retention of Financial Records
- Mismanagement of Funds Received
- Mismanagement of Funds Disbursements
- Delinquent Monthly Bank Reconciliations

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, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the student activity funds (SAF) for G. James Gholson Middle School for the period January 1, 2018 to August 31, 2023. The audit was conducted as part of the annual audit plan.

This audit report includes **4** findings under the leadership of the former and current principals. 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 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 January 1, 2018 to August 31, 2023. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Certain financial records requested for review were not made available. *See finding 2024.01 regarding Retention of Financial Records.*

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

2024.01 Retention of Financial Records

Financial records were not always retained as required. The following financial documents were not made available for review:

- **16** voided checks
- **11** cancelled checks
- **5** journal entry transfer documentations
- End-of Year Monetary Transmittal Form envelopes for FY 2018 through FY 2023

The APM, Section 6.12 *General Guidance, Record Retention* states that 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.

There was turnover in the positions of the recordkeeping staff and the principal. The current recordkeeping staff and principal's tenure began in February 2023 and July 2023 respectively and were unable to locate the missing financial records. The previous recordkeeping staff and principal were contacted in efforts to locate the missing financial records without success.

The absence of an effective records management system impacts the retrieval and accessibility to requested documentation. Also, evidence for ensuring that all SAF policies and procedures were followed are removed when financial records are not available for review.

Recommendation: The principal and recordkeeping staff should establish an adequate records management system that ensures that all financial documents are retained in an organized manner that is easily retrievable when there is turnover in the school's administration.

2024.02 Mismanagement of Funds Received

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

- A. ***Delinquent Deposits:*** There were **7** instances where funds collected for various school activities were not deposited timely. The delinquencies range from 5 to 66 days.
- B. ***Insufficient Documentation of Funds Collected:*** There were **3** instances where supporting documentation for funds deposited were inadequate. Pertinent

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documentation such as remittance lists to support cash collected during a fundraiser were not provided.

The following are the criteria as it pertains to management of disbursements:

- The APM section 4.5.2.2 (1) and (2) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF*, require **all** funds collected to be remitted to the bookkeeper on the day of collection along with a completed MTF. The bookkeeper must make deposit of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- The APM requires that MTFs are entirely completed with the following information: 1) who collected funds; 2) date of collection; 3) from whom funds were collected; 4) the amount and form of the collection; and 5) the reason for the collection. A Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.

The causes for the delinquent deposits and insufficient supporting documentation could not be determined since both the responsible principal and recordkeeping staff are no longer assigned to the school.

The following are potential effects from non-compliance of management of funds received:

- Internal controls are compromised when funds are retained in the school longer than required. Failure to deposit funds timely also increases the risk for embezzlement or loss of funds.
- Funds collected cannot be verified as to the source and amount when appropriate documentation is not attached to the MTF.

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

1. The principal and recordkeeping staff should implement internal controls to ensure that funds are remitted to the recordkeeping staff on the day of collection and that deposits are made as required.
2. The recordkeeping staff should remind staff members of their responsibility to ensure that MTFs are adequately supported by ticket reports and fundraiser reports when remitting funds. MTFs and supporting documentation should be reviewed by the recordkeeping staff prior to acceptance.

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2024.03 Inadequate Approval of Disbursements

There were **3** instances where staff members did not obtain the principal's authorization prior to the purchase of items on behalf of the school.

APM for School Activity Funds Section 4.5.3.1, "*Pre-Approval by the Principal*" states that, prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be completed and signed by the principal.

Causes for inadequate principal approval of disbursements could not be determined since both the principal and recordkeeping staff responsible for processing those transactions are no longer assigned to the school.

Internal controls are compromised when disbursements are not processed in accordance with the APM. Inadequate approval of expenditures can result in unauthorized purchases and the school's SAF being insolvent.

Recommendations: The principal and recordkeeping staff should remind staff members of the requirement to obtain the principal's preapproval of expenditures prior to obligating the school. Additionally, staff members should be reminded that they can be held personally liable for the obligation, if this procedure is not followed.

2024.04: Delinquent Monthly Bank Reconciliations

There were **5** instances during the audit period, where the monthly bank reconciliations were not completed and reviewed timely by the recordkeeping staff and the principal. The reconciliations were completed and reviewed between **7 and 54** days after the due dates.

According to the APM, Section 4.2.2, ***Bank Account Procedures***, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account is required to be reconciled within 7 days from receipt of the bank statement. Also, according to Section 5.1.2, the monthly financial reporting process is required to be completed by the 15th day of each month and presented to the principal for review.

Reportedly, 3 of the delinquencies occurred during the previous principal's and recordkeeping staff's tenure. No explanation was provided for those delinquencies. According to the recordkeeping staff, the other 2 delinquencies (July and August 2023) occurred in the principal's absence during the summer break.

Delinquent reporting 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 identify individual transaction errors may be impacted.

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Recommendation: The current recordkeeping staff and principal should ensure that bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. Provision should be made by the principal to ensure that the bank reconciliation process is completed as required during absences.

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for G. James Gholson Middle School was issued for the period ended December 31, 2017. The current principal and the recordkeeping staff were not in their current position at that time. Their tenures began July 2023 and February 2023 respectively. The previous audit report included **9** findings and **4** are repeated in the current audit report. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Mismanagement of Funds Received** - Condition still exists. See **Finding 2024.02** regarding *Mismanagement of Funds Received*.
- **Financial Reporting-** Condition still exists. See **Finding 2024.04** regarding *Delinquent Monthly Bank Reconciliations*.
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2024.03** regarding *Inadequate Approval of Expenditures*.
- **Excessive Spending in PSA Fund Account and School Insolvency-** Condition was not noted during this audit
- **Financial Documents not Retained** – Condition still exists. See **Finding 2024.01** regarding *Retention of Financial Records*.
- **Unapproved Fund Transfers-** Condition was not noted during this audit
- **Athletics Allotment Not Distributed-** Condition was not noted during this audit
- **Improvement Needed in Management Oversight-** Condition was not noted during this audit
- **Records Management-** Condition was not noted during this audit

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
 Internal Audit Department
 School/Office: G. James Gholson MS
 Response Due Date January 24, 2024**

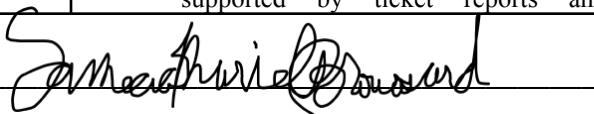
	Findings	Recommendations	Concur Non-Conc ur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2024.01: Retention of Financial Records</u>	The principal and recordkeeping staff should establish an adequate records management system that ensures that all financial documents are retained in an organized manner that is easily retrievable when there is turnover in the school's administration.	Concur	<ul style="list-style-type: none"> • Develop written policies and procedures for the management of financial records. • Ensure these policies adhere to relevant regulations and best practices. • Clearly outline who is responsible for creating, maintaining, and overseeing the records management system. • Develop a retention schedule specifying how long different types of financial documents should be retained. • Provide training to staff members involved in 	June 30, 2024	Partially Implemented

Principal Signature


Date May 3, 2024

				<p>recordkeeping on the new policies, procedures, and systems.</p> <ul style="list-style-type: none"> • Review and update the system as necessary to adapt to changing needs and regulations. • Encourage feedback from staff members to identify areas for improvement in the records management system. • Continuously monitor and evaluate the effectiveness of the system and make adjustments as needed. 		
2.	<u>2024.02</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	<p>The following recommendations are suggested to help ensure collections are properly managed:</p> <ol style="list-style-type: none"> 1. The principal and recordkeeping staff should implement internal controls to ensure that funds are remitted to the recordkeeping staff on the day of collection and that deposits are made as required. 2. The recordkeeping staff should remind staff members of their responsibility to ensure that MTFs are adequately supported by ticket reports and 	Concur	<ul style="list-style-type: none"> • Develop internal written policies and procedures for the remittance of funds aligned to PGCPs guidelines. • Recordkeeping staff will remind staff of their responsibilities around MTFs twice annually. 	June 30, 2024	Partially Implemented


Principal Signature



Date May 3, 2024

		fundraiser reports when remitting funds. MTFs and supporting documentation should be reviewed by the recordkeeping staff prior to acceptance.				
3.	<u>2024.03</u> <u>Inadequate</u> <u>Approval of</u> <u>Disbursements</u>	The principal and recordkeeping staff should remind staff members of the requirement to obtain the principal's preapproval of expenditures prior to obligating the school. Additionally, staff members should be reminded that they can be held personally liable for the obligation, if this procedure is not followed.	Concur	<ul style="list-style-type: none"> Recordkeeping staff will remind staff of the requirement of the principal's preapproval of expenditures prior to obligating the school twice annually. 	June 30,2024	Partially Implemented
4.	<u>2024.04:</u> <u>Delinquent</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The current recordkeeping staff and principal should ensure that bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. Provision should be made by the principal to ensure that the bank reconciliation process is completed as required during absences	Concur	<ul style="list-style-type: none"> Recordkeeping staff and principal will ensure bank reconciliations are completed within 7 days of receipt of the statement and financial reports are presented to principal for review bi-weekly. 	June 30,2024	Partially Implemented

Principal Signature



Date May 3, 2024

Principal Signature

A handwritten signature in black ink, appearing to read "Samantha Brown", written over a horizontal line.

Date May 3, 2024