

Internal Audit Report

**Gwynn Park Middle School
School Activity Funds**

For the Period Ended April 30, 2023

Gwynn Park Middle School
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Internal Audit Report
For the period ended April 30, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Gwynn Park Middle School for the period August 1, 2019 through April 30, 2023. Gwynn Park 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:

- *Mismanagement of Funds received*
- *Mismanagement of Disbursements*
- *Mismanagement of Funds Transfer*
- *Untimely Bank Reconciliations*
- *Overspent Restricted Accounts*
- *Club Budgets not Developed*

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, administration of student activity funds **requires significant improvement** to comply with BOE policies and procedures and the APM, in all material respects, for the period ended April 30, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for **Gwynn Park Middle School** for the period August 1, 2019 through April 30, 2023. 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 **6** findings which occurred under the leadership of the former 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 to determine whether the school followed 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. Also, selected available receipts, disbursements, school funds expenditure forms (SFEF) and supporting documentation were reviewed for the said period. The audit was limited to available supporting documentation. There were several instances where requested documentation was not made available for review.

This is an audit of funds related to students' activities at the school and does not include SOR and major grant funds received during the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2024.01: Mismanagement of Funds Received

The following exceptions were noted during the audit:

- A. ***MTF remittance envelopes*** – FY21 and FY22 MTF remittance envelopes were not provided for audit
- B. ***Missing bank deposit slips*** – Deposit slips were not provided for audit
- C. ***Late deposits and MTFs forms not properly completed*** – Deposits were made between 6 to 9 days late. MTF documents were inaccurate or incomplete.
- D. ***Missing MTFs and supporting documentation*** – MTF for FY21 and FY22 were not provided for audit
- E. ***MTF and SFO totals did not match*** - The amount of funds collected per MTFs did not correspond to the amounts entered in School funds Online

According to the SAF Manual the following is required:

- 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.
- All SAF records must be kept for a period of seven (7) years and or until audited including the current fiscal year. –
- MTFs are required to be completed entirely with pertinent required details.
- Staff are required to submit the pink and yellow copies of the MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator prior to leaving at year-end and are also responsible for supporting documentation.

The scope of the audit was during the tenure of the former principal and recordkeeping staff. The former Principal had no explanation for the discrepancies noted. The former recordkeeping staff was not available for response.

Inaccurate and missing documentation leads to inaccurate reports and misguided decisions. Delinquent deposits of funds received constitute noncompliance with BOE policies and procedures and increase the risk of loss to the school.

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Recommendation

The following is recommended to improve the management of funds received:

1. A refresher training should be held for all staff to explain the financial procedures.
2. The principal should conduct frequent review of financial records to ensure timeliness, completeness and accuracy.

2024.02: Mismanagement of Disbursements

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

- **Missing SFEF and supporting documentation** - *School funds expenditure forms (SFEF) and supporting documentation were not provided for audit*
- **Missing cancelled checks** - *Cancelled checks requested for audit were not provided*
- **Mismanagement of voided checks** - *Voided checks requested for audit were not provided. There were also voided checks where the signature portion had not been removed*

According to the SAF Manual the following is required:

- Prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual does not complete this form.
- The Bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.
- All SAF records must be retained for a period of seven (7) years and or until audited including the current fiscal year.

The scope of the audit was during the tenure of the former principal and recordkeeping staff. The former Principal had no explanation for the discrepancies noted. The former recordkeeping staff was not available for response.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff.

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Recommendation

The following is recommended 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.
2. The principal should organize a refresher training course for staff – highlighting areas where there have been lapses.
3. The principal should review the financial transactions at least monthly to ensure completeness and accuracy.

2024.03: Mismanagement of Fund Transfers

The following exceptions pertaining to the management of Fund Transfers were identified:

Missing fund transfer journals – ***Fund*** transfer journals were not made available for review

Inappropriate transfers - Damaged chromebook funds were transferred to Materials of Instruction (JE 98101). This is not an allowable transfer. Chromebook repair funds are required to be remitted to the Board of Education.

Transfers between restricted accounts are only authorized if reviewed and approved by the principal. This review is documented on Fund Journal Transfer forms. The Bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions. All SAF records must be retained for a period of seven (7) years and or until audited including the current fiscal year.

The scope of the audit was during the tenure of the former principal and recordkeeping staff. The former principal had no explanation for the discrepancies noted. The former recordkeeping staff was not available for response.

Missing documentation hinders effective review of financial transactions and weakens internal controls. Authorization of the transfers could not be verified. Errors may not be found in a timely manner making financial reports unreliable.

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Recommendation

The following is recommended to improve the management of transfers:

1. The principal and recordkeeping staff must refresh their knowledge by reading the Accounting Procedures Manual for School Activity funds.
2. The principal must make time to conduct regular monthly review of financial records.

2024.04: Untimely Bank Reconciliations

Bank reconciliations were reviewed between 7 and 27 days late.

The APM, Section 4.2.2, *Bank Account Procedures*, states that 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 former principal explained that the February 2023 reconciliation was reviewed late because the school was in transition due to the departure of former recordkeeping staff.

The principal's prompt review of bank reconciliations impacts the reliability of financial information used in the fiscal decision-making process. The principal's review is also necessary to promptly verify the school's solvency status and identify potential erroneous transactions.

Recommendation

The principal should contact the Accounting and Financial Reporting Office promptly for guidance on how to resolve issues when there are anticipated extended recordkeeping staff absences.

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2024.05: Overspending in Restricted Accounts

The following restricted accounts had deficits as of April 30, 2023, which totaled (\$ 7,057.30).

Account number	Account Name	Amount
211.65	Boys baseball sport equipment	(\$ 161.50)
211.85	Boys baseball uniforms	(\$ 262.42)
212.65	Boys basketball sport equipment	(\$ 73.59)
231.65	Girls basketball equipment	(\$ 73.99)
234.50	Girls softball sport equipment	(\$ 161.50)
480.00	Yearbook	(\$ 6,324.30)
	Total Deficits	(\$ 7,057.30)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are solvent at all times.

The former Principal explained the majority of the deficits were carried forward from a previous administration. The yearbook deficit was at (\$1,814.30) at the beginning of FY23, this deficit increased when the printing cost for FY22 yearbook (\$4,510.00) was paid in August 2022. Although there were some yearbooks sales for the SY22 yearbook, there was an insufficient amount of sales to cover the cost.

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The risk of insolvency increases when restricted funds are overspent and not properly managed.

Recommendation

The following should be considered to improve the management of restricted accounts:

1. The principal should continue to seek opportunities to clear the deficits. Further, all expenditures from these accounts must cease until the deficits are eliminated.

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2. The principal should consider whether to continue annual yearbook sales to students since proceeds have historically been insufficient to cover costs.

2024.06: Club Budgets not Developed

There was no record of club budgets prepared and submitted to the recordkeeping staff for the audit period.

According to the APM Section 7.3 Class and Club Accounts - Principals and teachers should work closely with students in planning finances (budgeting) for their clubs and organizations. A copy of annual budgets must be provided to the School's Bookkeeper. This budget must be included in the annual report submission due by mid-July.

The former Principal was not aware that club budgets had to be prepared.

The lack of club and class budgeting constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases the coordination between club sponsors and the school administration when it comes to planning and executing necessary payments. A budgeting process will decrease the risk of insolvent accounts.

Recommendation

The school administration should identify all active clubs and provide training on club budgets for all Sponsors and student leaders. The recordkeeping staff should provide the budget template to club sponsors.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Gwynn Park Middle School was issued for the period ended July 31, 2019. The current Principal and recordkeeping staff were not in their current positions during that audit. The previous audit included 7 audit findings and 4 are repeated in part or the whole in the current audit report. The following findings were noted as a result of that audit and the current status is indicated below:

2020.01 Mismanagement of Disbursements:

- A. Lack of Proper Pre-Approval: *Observed - See 2024:02, Mismanagement of Disbursements*
- B. Lack of Support for Refunds: *Not Observed*
- C. Accounting Errors: *Not Observed*

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2020.02 Delinquent Deposits: *Observed See 2024:01, Mismanagement of Funds Received*

2020.03 Fundraiser Collections not Deposited in Tact: *Not Observed*

2020.04 Yearbook Sales Shortage: *Not Observed*

2020.05 Year-End Monetary Transmittal Form Procedures Not Followed

A. Missing MTF Remittances: *Observed See 2023:01, Mismanagement of Funds Received*

B. Financial Recordkeeping Staff Access to Pink MTF Remittances: *Not Observed*

2020.06 Fundraiser Forms Not Completed: *Not Observed*

2020.07 Club Budgets Not Developed: *Observed See 2023:06, Club Budgets not Developed*

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Gwynn Park MS
Response Due Date November 3, 2023

Findings	Recommendations	Concur Non-Conc or Partially Concur	Action Plan	Corrective Action Date	Status <u>Implemented</u> Partially Implemented Not Implemented
1. <u>2024.01: Mismatch of Funds Received</u>	1. A refresher training should be held for all staff to explain the financial procedures. 2. The principal should conduct frequent review of financial records to ensure timeliness, completeness and accuracy.	Yes I Concur	The recommendation has already been implemented and will continue to ensure compliance	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	
2. <u>2024.02 Mismatch of Disbursements</u>	The following is recommended 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. 2. The principal should organize a refresher training course for staff – highlighting areas where there have been lapses.	Yes I Concur	The recommendation will be implemented throughout the SY and some training took place during pre-service week with Bookkeeper.	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	

Principal Signature



Date

11-1-23

		3. The principal should review the financial transactions at least monthly to ensure completeness and accuracy.				
3.	<u>2024.03</u> <u>Mismanagement</u> <u>of Fund Transfer</u>	<p>The following is recommended to improve the management of transfers:</p> <p>1. The principal and recordkeeping staff must refresh their knowledge by reading the Accounting Procedures Manual for School Activity funds.</p> <p>2. The principal must make time to conduct regular monthly review of financial records.</p>	Yes I Concur	The recommendation will be implemented throughout the SY	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	
4.	<u>2024.04</u> <u>Untimely</u> <u>Bank</u> <u>Reconciliations</u>	The principal should contact the Accounting and Financial Reporting Office promptly for guidance on how to resolve issues when there are anticipated extended recordkeeping staff absences.	Yes I Concur	The recommendation will be implemented throughout the SY	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	

Principal Signature



Date

11-1-23

5.	<u>2024.05</u> <u>Overspent</u> <u>Restricted</u> <u>Accounts</u>	The following should be considered to improve the management of restricted accounts: 1. The principal should continue to seek opportunities to clear the deficits. Further, all expenditures from these accounts must cease until the deficits are eliminated. 2. The principal should consider whether to continue annual yearbook sales to students since proceeds have historically been insufficient to cover costs.	Yes I Concur	The recommendation will be implemented throughout the SY	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	
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Principal Signature



Date

11.1.23

6.	2024.06 Club Budgets Not Developed	The school administration should identify all active clubs and provide training on club budgets for all Sponsors and student leaders. The recordkeeping staff should provide the budget template to club sponsors.	Yes I Concur	The recommendation will be implemented throughout the SY	Now that I'm in place its Nov 2023 & Ongoing this 23-24 SY	

Principal Signature 

Date 11.1.23