

**Internal Audit Report**  
**Thurgood Marshall Middle School**  
**School Activity Funds**  
**For the Period Ended January 31, 2024**

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**Table of Contents**

INTERNAL AUDITOR’S REPORT	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDIT FINDINGS	9
ACKNOWLEDGEMENT	9

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Thurgood Marshall Middle School for the period of July 1, 2021 to January 31, 2024. Thurgood Marshall Middle School's acting 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:

- *Record Retention*
- *Mismanagement of Funds Received*
- *Delinquent Monthly Financial Reporting*
- *Depository Safe Not Operable*
- *Restricted Fund Account Deficits*
- *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 January 31, 2024.



Michele Winston, CPA  
Director, Internal Audit

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**SUMMARY**

An audit of the school activity funds (SAF) for Thurgood Marshall Middle School was completed for the period July 1, 2021 to January 31, 2024. 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 **6** findings, which occurred under the leadership of the current and former principals. The findings and the personnel responsible are included in the appendix at the end of this 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 July 1, 2021 to January 31, 2024. Also, available receipts, disbursements, and supporting documentation were reviewed for the said period. The audit was limited to documentation provided during the engagement. (*See 2024.01 Record Retention*).

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.

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2024.01 Record Retention**

The following **28** instances where financial records were not provided to substantiate SAF transactions during the audit period:

- **Canceled Checks - 19**
- **Expenditure Documentation** (Funds Expenditure Forms (SFEF) and supporting documentation) - 7
- **Deposit Slips – 2**

The following criteria are established in the APM regarding administration of financial records:

- Section 6.12, *Record Retention*, requires the retention of financial records for 7 years 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, canceled checks, and contracts.
- The APM Exhibit B *Staff Responsibility for SAF Bookkeeper/Financial Secretary* indicates that the bookkeeper or financial secretary is to produce and maintain all financial documents/reports in an organized fashion.

The former recordkeeping staff are no longer employed with PGCPS; therefore, a cause could not be established for the missing canceled checks, deposits slips and documentation to substantiate expenditures. An effective records management system was not established to ensure retrieval of financial records in the former recordkeeping staffs' absence. ***This condition was noted during the previous audit for the period ended June 2021.***

The absence of a reliable records management system affects the retrieval and accessibility of requested documentation to substantiate the school's financial transactions. The audit fieldwork was impacted by the school's inability to readily produce financial records. Evidence for determining that all SAF policies and procedures were followed is removed when financial records are unavailable for review.

**Recommendations:** The principal must establish a standardized and consistent records management system, which ensures that all financial documents are retained by fiscal year. The

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

principal should complete a periodic review of financial records to support proper organization, retention, and retrieval of financial records during staff transitions.

**2024.02 Mismanagement of Funds Received**

There were at least **54** instances of non-compliance regarding the administration of funds received. The following indicates the non-compliance:

- A. ***Delinquent Deposits:*** There were at least **8** instances where funds were not deposited timely. Delinquent remittance of funds ranged from **4 to 24 days**. ***This condition was noted during the previous audit for the period ended June 2021.***
- B. ***Unsupported Deposits:*** There were at least **3** instances where MTFs were submitted without documentation to verify the source of funds collected. ***This condition was noted during the previous audit for the period ended June 2021***
- C. ***End-of-Year MTF Transmittal Process Not Followed:*** The year-end MTF submission process was not operating as required. There were **43** instances where either the yellow or pink MTF remittances or both were not available for review – (FY 2023 – 20) and (FY 2022 – 23). Also, the former principal’s MTFs and other staff members’ end-of-year MTFs were retained in the recordkeeping staff’s office, not in sealed envelopes as required.

The following criteria is established in the APM:

The APM Section 4.5.2.2 (1) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF, and 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. Funds collected must be deposited in the same form and denominations as received. Also, the staff member collecting funds is responsible for filling in **all** required information, including signing and dating the form. This information is required to substantiate deposits.

The APM 4.5.2.2 *Cash Receipts, General Policies*, requires faculty and program managers to place their MTF remittance copies in envelopes with their signature affixed over the seal. MTF envelopes are required to be submitted to the designated administrator before departing the school at year-end. Bookkeepers are prohibited from having custody of MTF remittances.

The following summarizes the causes of mismanagement of funds received:

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

- A. Internal controls to ensure the timely remittance and deposits were not always followed. The staff and/or recordkeeping staff was not held accountable for remitting and depositing funds timely.
- B. Careful review of MTF remittances was not performed to ascertain that deposits were adequately supported prior to the recordkeeping staff approving MTFs.
- C. Staff were not held accountable for submitting their end-of-year MTFs as required. Also, the former principal did not implement internal controls relative to safeguarding MTF envelopes. The former recordkeeping staff was allowed to retain MTFs throughout the school year.

The following are the potential effects of the mismanagement of funds received:

- A. Internal controls are compromised and there is a risk of loss of funds when funds are not remitted as required.
- B. Internal controls are compromised and evidence to support appropriate documentation is impacted where adequate financial records are not available to substantiate collections. The audit trail is compromised when underlying documents are not maintained.
- C. Internal controls are compromised when end-of-year MTF documentation is not properly retained. Evidence to substantiate funds collected is removed.

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

- 1. The principal must require timely remittance and deposit of funds. The principal should perform periodic reviews of deposit records to ensure compliance.
- 2. The recordkeeping staff should ensure that supporting documentation is provided and verified for each MTF submitted prior to approving MTFs.
- 3. The principal should establish procedures to ensure that MTF remittances are retained and submitted in accordance with the year-end MTF envelope submission guidelines outlined in the APM.

**2024.03 Delinquent Monthly Financial Reporting**

There were at least **10** instances where the monthly bank reconciliations and financial reporting were not timely prepared by the student activity fund support specialist (SAFSS), former

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

recordkeeping staff, and/or current recordkeeping staff. This resulted in an untimely review by the former and current principals. The delinquencies ranged from **5 to 93 days**. In at least 4 of the 10 instances, the former principal did not return a signed copy of the financial report to the SAFSS.

The APM Section 5.1.2 *Monthly Reconciliation and Financial Reporting* states that the bookkeeper is required to complete the reconciliation within 7 days after receiving the statement from the bank. All financial reports should be completed by the 15<sup>th</sup> of each month and submitted to the principal for review and approval.

There was significant turnover in the recordkeeping staff position (4 for the audit period). The SAFSS completed the school's financial reporting when the recordkeeping staff position was vacant. The current recordkeeping staff was assigned to the school in April 2023 but did not receive training until October 12, 2023. This added to the delay in monthly financial reporting. ***This condition was noted during the previous audit for the period that ended in June 2021.***

The principal's fiscal responsibility is compromised when monthly reporting is not available and/or reviewed timely. Timing differences or errors may not be detected and corrected promptly when the reconciliation process is not performed as intended.

**Recommendations:** The principal and recordkeeping staff should implement internal controls to ensure that the monthly financial reporting process is performed in accordance with the scheduled requirements included in the APM (bank reconciliation within 7 days of receiving the statement from the bank and the completion and supervisory review of financial reports by the 15<sup>th</sup> of each month).

The principal and recordkeeping staff should meet monthly to review and approve the financial reports to ensure compliance.

#### **2024.04 Drop Safe Not Operable**

The school has a depository safe; however, it is inoperable due to the keypad being broken.

The APM, Section 4.5.2.2, *Guidelines for Bank Deposits*, states that depository (drop) safes are required for every school. The safe should be bolted to the floor and in a location accessible to staff which will facilitate remitting funds when the bookkeeper is unavailable.

The former principal failed to ensure that the safe was operable to secure remitted funds. The former principal is no longer assigned to the school and did not respond to email inquiries regarding this finding. ***This condition was noted during the previous audit for the period that ended in June 2021.***



**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

Internal controls regarding safeguarding funds are compromised, which increases the potential for loss of assets. BOE policies and procedures as established by the APM were not followed.

**Recommendations:** The principal must immediately contact a locksmith to repair the keypad to the drop safe. The drop safe should be accessible to staff to facilitate the remittance of funds when the recordkeeping staff is not available.

**2024.05 Restricted Fund Account Deficits**

The following 4 restricted fund accounts had deficits that totaled **(\$11,469.65)** as of January 31, 2024:

Account #	Account Description	Account Balance
420.00	Fieldtrips	(\$ 3,498.12)
440.00	PBIS	(\$ 180.13)
450.10-450.50	PSA	(\$ 3,264.43)
480.00	Yearbook	(\$ 4,526.97)
		<b>Total (\$ <u>11,469.65</u>)</b>

The APM, Section 4.3 *Fund Accounts*, states that expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The deficit accounts listed above were also listed in the previous audit. A fraud was identified in the previous audit where the former recordkeeping staff collected field trip funds totaling \$3,891.00 but did not deposit the funds with the financial institution. This resulted in a deficit to the fieldtrip account which still exists. The PBIS deficit increased by \$10.00 from the previous audit. The PSA deficit decreased by \$1,281.64. The Yearbook account deficit is the same as from the previous audit. Although there have been decreases in the prior year's deficits; the former principal did not establish a plan to eliminate the deficits. ***This condition was noted during the previous audit for the period that ended in June 2021.***

Overspending in restricted fund accounts results in insufficient funds being available to administer students' activities. Moreover, overspending in restricted funds accounts can result in the school becoming insolvent.

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**Recommendations:** The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits, especially the field trip deficit that occurred due to the FY 2019 fraud committed by the former recordkeeping staff. In addition,

focused planning and budgeting should occur to ensure that the school's resources are used efficiently and that further deficits do not occur.

**2024.06 Fundraiser Reports Not Completed**

The school did not comply with the requirements for administering fundraisers during the audit period. There were **5** fundraisers (3 sponsored fundraisers and 2 school-wide fundraisers) conducted during the audit period. Sponsors did not complete the fundraiser request and authorizations report and the fundraiser completion reports for the sponsored fundraisers conducted. In addition, the annual reports summarizing fundraising activities for FY 2022 and FY 2023 were not completed to support compliance with the reporting requirements for fundraisers.

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

Staff were not aware of the fundraiser reporting requirements. Failure to complete fundraiser reports constitutes non-compliance with BOE policies and procedures. In addition, it decreases the transparency of fundraising activities and the associated profits to interested parents and community members. It could not be readily determined whether the school's fundraisers yielded an overall profit. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available.

**Recommendations:** The principal must enforce the requirement for completion of all required fundraiser reporting documents including the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for all sponsored fundraisers held during the school year. In addition, the principal or designee should complete reports at the end of the school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.

**Thurgood Marshall Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended January 31, 2024**

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Thurgood Marshall Middle School was issued for the period ended June 30, 2021. During the previous audit, neither the principal nor the recordkeeping staff was in their current position. There have been 3 recordkeeping staff changes since the previous audit as noted in the appendix. There were **10** findings noted in the previous audit of which **5** findings still exist as summarized below:

- **Missing Funds** – Controls appear to be working.
- **Mismanagement of Funds Received** – Condition still exists. **See Finding 2024.02** regarding *Mismanagement of Funds Received – Delinquent Deposits and Unsupported MTFs*.
- **Mismanagement of Disbursements** – Controls appear to be working.
- **Drop Safe Not** – Condition still exists. **See Finding 2024.04** regarding *Drop Safe Not Operable*.
- **Restricted Accounts Deficits** – Condition still exists. **See Finding 2024.05** regarding *Restricted Fund Account Deficits*.
- **Administration of Monthly Bank Reconciliations** – Condition still exists. **See Finding 2024.03** regarding *Delinquent Monthly Financial Reporting*.
- **Administration of Voided Checks** – Controls appear to be working.
- **Check Signers** – Controls appear to be working.
- **Financial Reporting** – Controls appear to be working.
- **Record Retention** – Condition still exists. **See Finding 2024.01** regarding *Record Retention*.

**ACKNOWLEDGEMENT**

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

**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: Thurgood Marshall MS**  
**Response Due Date June 28, 2024**

	Findings	Recommendations	Concur Non-Conc ur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<b><u>2024.01:</u></b> <b><u>Record Retention</u></b>	The principal must establish a standardized and consistent records management system, which ensures that all financial documents are retained by fiscal year. The principal should complete a periodic review of financial records to support proper organization, retention, and retrieval of financial records during staff transitions.	concur	All financial documentation will be maintained in an identified binder or bin which indicates the school year and stored in a secured location. The Principal and the Accountant Secretary will convene once bi-week to provide updates, review the budget and deposit records, and discuss/implement any new procedures as necessary. The principal will receive all bank statements, review, sign and then give the bank statements to the Accountant Secretary. The financial reports will be reviewed with the AS by the 15th of each month.	Feb. 27, 2024	Implemented.

Principal Signature

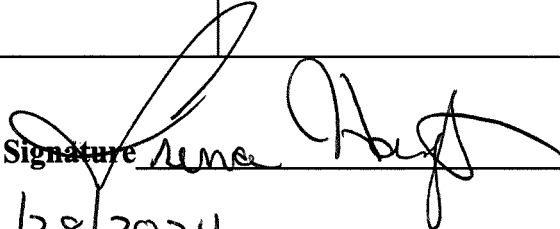
Date

06/28/2024

2.	<u>2024.02</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	<ol style="list-style-type: none"> <li>1. The principal must require timely remittance and deposit of funds. The principal should perform periodic reviews of deposit records to ensure compliance.</li> <li>2. The recordkeeping staff should ensure that supporting documentation is provided and verified for each MTF submitted prior to approving MTFs.</li> <li>3. The principal should establish procedures to ensure that MTF remittances are retained and submitted in accordance with the year-end MTF envelope submission guidelines outlined in the APM.</li> </ol>	concur	<p>The Principal and the Accountant Secretary will meet weekly to organize, prepare for timely remittance and deposit of funds, and review records. The principal will receive all bank statements, review, sign and then give the bank statements to the Accountant Secretary. The financial reports will be reviewed with the AS by the 15th of each month. All MTFs will be submitted to the AS with the supporting documentation and will be reviewed during the Principal and AS weekly meeting. All received funds will be securely stored by either the principal or the AS. The AS will not accept funds without a MIF, and all funds will be promptly deposited. At the end of the year all MTFs are completed and submitted to the Principal. Funds are deposited timely.</p>	Feb. 27, 2024	Implemented
----	--	---	--------	---	---------------	-------------

Principal Signature

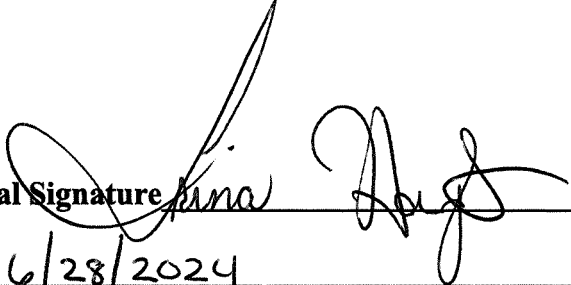
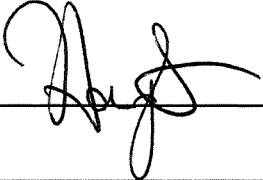
Date

  
 6/28/2024

3.	<b><u>2024.03</u></b> <b><u>Delinquent</u></b> <b><u>Financial</u></b> <b><u>Reporting</u></b>	<p>The principal and recordkeeping staff should implement internal controls to ensure that the monthly financial reporting process is performed in accordance with the scheduled requirements included in the APM (bank reconciliation within 7 days of receiving the statement from the bank and the completion and supervisory review of financial reports by the 15<sup>th</sup> of each month).</p> <p>The principal and recordkeeping staff should meet monthly to review and approve the financial reports to ensure compliance.</p> <p>The principal and recordkeeping staff should meet monthly to review and approve the financial reports to ensure compliance.</p>	concur	<p>The Principal and the Accountant Secretary will meet at least biweekly to provide updates, review the budget, and discuss/implement any new procedures as necessary. The principal will receive all bank statements, review, sign and then give the bank statements to the Accountant Secretary. The financial reports will be reviewed with the AS by the 15th of each month.</p>		.Implemented
----	---	---	--------	---	--	--------------

Principal Signature

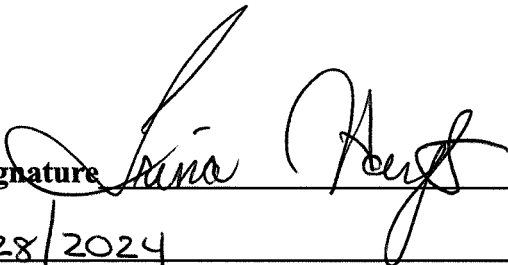
Date

6/28/2024

4.	<b><u>2024.04 Drop Safe not Operable</u></b>	The principal must immediately contact a locksmith to repair the keypad to the drop safe. The drop safe should be accessible to staff to facilitate the remittance of funds when the recordkeeping staff is not available	partially concur	The Accountant Secretary will contact a locksmith to repair the keypad to the drop safe	6/30/2024	Not implemented Contact was made however the repair has not taken place.
5.	<b><u>2024.05 Restricted Fund Account Deficits</u></b>	The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits, especially the field trip deficit that occurred due to the FY 2019 fraud committed by the former recordkeeping staff. In addition, focused planning and budgeting should occur to ensure that the school's resources are used efficiently and that further deficits do not occur.	concur	The Principal and Accountant Secretary completed the Fraud Inquiry questionnaire in Feb. 2024. All next steps have been applied.		Implemented

Principal Signature

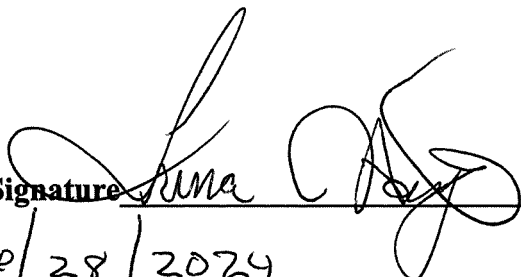


Date 6/28/2024

6.	<p><b><u>2024.06</u></b>  <b><u>Fundraiser</u></b>  <b><u>Reports</u></b> <b>not</b>  <b><u>Completed</u></b></p>	<p>∴ The principal must enforce the requirement for completion of all required fundraiser reporting documents including the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for all sponsored fundraisers held during the school year. In addition, the principal or designee should complete reports at the end of the school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.</p> <p>∴ The principal must enforce the requirement for completion of all required fundraiser reporting documents including the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for all sponsored fundraisers held during the school year. In addition, the principal or designee should complete reports at the end of the school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.</p>	concur	<p>A meeting was held with all sponsors and grade-level chairs on the process for completing all required fundraiser reporting documents. The AS has a designated space/binder that houses all fundraiser reporting documents. A meeting will be held every year for all new sponsors and grade-level chairs to review the requirements for accurately documenting fundraisers. All documents will be held in a secure location by School Year.</p>		Partially implemented
----	---	---	--------	---	--	-----------------------

Principal Signature

Date

  
 2/28/2024