

Internal Audit Report

**Ernest E. Just Middle School
School Activity Funds**

For the Period Ended July 31, 2024

Ernest E. Just Middle School
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For the period ended July 31, 2024

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Ernest E. Just Middle School for the period November 1, 2022 through July 31, 2024. Ernest E. Just Middle School 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*
- *Administration of Depository Safe*
- *End-of-Year Monetary Transmittal Form Submission Process Not Followed*
- *Administration of Contracts*
- *Budgeting for Clubs and Organizations*
- *Fundraiser Reports Not Completed*

Individually or in 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended July 31, 2024.



Janice Walters-Semple, CPA
Acting Director, Internal Audit

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SUMMARY

An audit of the school activity funds (SAF) of **Ernest E. Just Middle School** was completed for the period November 1, 2022 through July 31, 2024. 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 7 findings which occurred under the leadership of the former 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 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, available financial reports, cancelled checks, and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period November 1, 2022, through July 31, 2024. Also, selected receipts, disbursements and available 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2025.01 Mismanagement of Funds Received

There were at least **15** instances of non-compliance regarding the administration of funds received.

- A. ***Delinquent Deposits:*** There were **7** instances where funds were not remitted and/or deposited timely. Delinquent remittance of funds ranged from **4** to **92 days**.
- B. ***Unsupported Deposits:*** There were **8** instances where MTFs were submitted without documentation to verify the source of funds collected.

The following criteria are established in the APM for administering collections:

- A. 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.
- B. Section 4.5.2.2 (1) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF, and Preparing Bank Deposits*, also requires the MTF to be entirely completed and supporting documentation to be provided for all funds received.

The following summarizes the causes of mismanagement of funds received:

- A. Internal controls to ensure the timely remittance and deposits were not always followed. The staff and/or recordkeeping staff were not held accountable for remitting and depositing funds timely.
- B. Careful review of MTF remittances was not performed by the recordkeeping staff to ascertain that deposits were adequately supported prior to the approval of MTFs.

Failure to adhere to the guidelines for administering funds received results in the following:

- 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 the evidence to substantiate the collection of funds is impacted when adequate financial records are not maintained. Moreover, the audit trail is compromised when underlying deposit documents are not maintained.

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Recommendations: The following are recommendations for proper management of funds received:

- A. The principal must require timely remittance and deposit of funds. Staff members and the recordkeeping staff must be held accountable for compliance. The principal should perform periodic reviews of deposit records to ensure compliance.
- B. The recordkeeping must perform careful review of MTF and supporting documentation to ensure completeness of deposit records prior to approving MTFs.

2025.02 Mismanagement of Disbursements

There were at least **13** instances of non-compliance regarding the administration of disbursements.

- A. ***Inadequate Pre-Approval of Expenditures:*** There were **9** instances where the former principal did not pre-approve SFEFs prior to purchases. ***This condition was noted during the previous audit for the period ended October 31, 2022.***
- B. ***Delinquent Reimbursement and/or Vendor Payments:*** There were **4** instances where reimbursement and/or vendor payments were not processed timely, resulting in delinquent payments ranging from **8** to **87** days.

The following criteria are established in the APM for administering checks

- A. Section 4.5.3, *Cash Disbursements* requires that prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal.
- B. Section 4.5.3 (2) *Inclusion of Supporting Documentation* requires reimbursements and/or invoices to be paid within 30 days of receipt or by the due date noted on the invoice.

The following summarizes the causes of mismanagement of funds disbursed:

- A. Staff members did not always obtain the principal's pre-approval as documented on the SFEFs prior to ordering goods. The former principal did not always enforce the requirement for pre-approval of expenditures.
- B. The school experienced a transition in the recordkeeping staff's position which resulted in delinquencies in 2 instances. Staff members did not submit vendor invoices to the recordkeeping staff timely in the other 2 instances.

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The following are potential effects of mismanagement of funds disbursed:

- A. Lack of pre-approval by the principal could result in inappropriate and unauthorized purchases.
- B. Delinquent payments can affect the availability of funds as reported in the school's financial reports and impact the principal's ability to make fiscal decisions.

Recommendations: The following are recommendations for ensuring disbursements are properly managed:

- A. The principal and recordkeeping staff must implement and enforce internal controls to ensure pre-approval is obtained and documented on SFEF's prior to purchases being made.
- B. The principal must implement internal controls to ensure that reimbursement and vendor invoices are submitted and processed timely during periods of transition. Staff members must be held accountable for adhering to the requirements for timely requesting payments.

2025.03 Administration of Depository Safe

The school's depository safe is located in the recordkeeping staff's office where staff members do not have access in the recordkeeping staff's absence. Also, neither the former principal nor the current principal has access to the school's depository safe.

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 recordkeeping staff is unavailable. Only the principals and bookkeepers are permitted to access the depository safe.

The former principal and/or principal and recordkeeping staff were not aware that the school's depository safe should be in a location accessible to staff. Also, the former and current principals were not aware that they should have access to the school's depository safe.

BOE policies and procedures as established by the APM were not followed for administering the school's depository safe. Internal controls regarding safeguarding funds are compromised, and the potential for loss of assets is increased when staff members do not have access to the school's depository safe.

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Recommendations: The principal should ensure that staff members have access to the safe when the recordkeeping staff is not available. The principal should designate a location where the school's safe can be bolted to the floor as required. The principal must obtain the access combination from the recordkeeping staff so that access can be obtained in the recordkeeping staff's absence.

2025.04 End-of-Year Monetary Transmittal Form Submission Process Not Followed

The year-end MTF submission process was not operating as required. There were 6 instances where either the pink or yellow MTF remittances or both were not available for review, (FY 2024 – 3 MTFs; 1 staff member) and (FY 2023 – 3 MTFs; 2 staff members). Also, in FY 2024, MTF envelopes were not properly sealed. ***This condition was noted during the previous audit for the period ended in October 2022.***

The APM 4.5.2.2 *Cash Receipts, Procedures*, requires that faculty and program managers submit the pink and yellow copies of MTFs in sealed MTF envelopes with their signatures affixed over the seal. MTF envelopes are required to be submitted to the designated administrator prior to departing the school at year-end.

Staff were not held accountable for submitting their end-of-year MTFs as required. Also, the former principal and/or designee did not ensure that all MTFs were submitted prior to staff members' departure.

Internal controls are compromised when end-of-year MTF documentation is not properly retained. Compensating evidence to substantiate collections is removed.

Recommendations: The principal should establish procedures to ensure that MTF remittances are collected and retained in accordance with the year-end MTF envelope submission guidelines outlined in the APM.

2025.05 Administration of Contracts

There were at least 3 instances of non-compliance regarding the administration of contracts.

- A. The FY 2023 and FY 2024 yearbook contracts did not have the former principal's signature affixed as required.
- B. The school has 3 snack vending machines, and 1 beverage vending machine located in the teachers' lounge. However, there was no vending machine contract available for the 2024 school year.

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The following guidelines are available for administering the school's contracts.

- A. Administrative Procedure 5135.2, *Principal's Contracting Authority*, requires the principal, as an agent of the BOE, to approve and sign all agreements and contracts entered for all school activities.
- B. The APM Section 6.5 *Contracts* states that Schools may not enter into any multiple year agreements. Also, the APM, Section 9.8, Vending Machine Sales, states, "all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted."

Noncompliance with administering the school's contracts occurred due to the following.

- A. The former principal verbally approved the yearbook online sales. According to the former principal, the school has used the current yearbook vendor for several years and overlooked that requirement for obtaining a current contract.
- B. The former principal did not initiate an updated vending contract for the 2024 school year. The current recordkeeping staff's attempts to obtain a current vending contract were futile.

Failure to properly administer contracts on behalf of the school has resulted in non-compliance with the BOE's policies and procedures and may result in inadequate maintenance of the vending machines and insufficient commission revenue being realized from the yearbooks, vending machines.

Recommendations: The principal must ensure that all applicable contracts are reviewed, signed, and maintained on file. An effort must be made to secure contracts with future vendors. The principal must contact Purchasing and Supply Services to identify an alternate vending machine vendor in the absence of a signed vending contract.

2025.06 Budgeting for Clubs and Organizations

The school has clubs that conduct financial activities, including the Student Government, National Junior Honor Society, Class Accounts, Dance Team, and Chorus. However, these clubs and organizations have not developed and submitted annual budgets to the recordkeeping staff and the Accounting and Financial Reporting Office (AFRO) as required.

The APM, Section 7.3, *Class and Club Accounts*, requires principals and teachers to work closely with students in planning finances (budgeting) for their clubs and organizations. A copy of the clubs' annual budget must be provided to the school's recordkeeping staff for submission to the AFRO.

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The principal and recordkeeping staff were not aware of the requirement for the clubs and organizations to develop and submit an annual budget to the recordkeeping staff and AFRO.

Failure to develop and submit annual club budgets constitutes non-compliance with BOE policies and procedures. Further, the absence of budgeting can lead to insolvent accounts or substandard experience for students in extracurricular activities.

Recommendations: The principal and recordkeeping staff should review the APM to understand the requirements for budgeting. Assistance in the preparation of the required budget documents should be obtained from the AFRO to ensure club sponsors are in compliance with the requirements for developing and the annual submission of budgets at the beginning of each school year. The budgeting process should include increased communication among the sponsors, recordkeeping staff, and the principal. Final approval should be provided by the principal.

2025.07 Fundraiser Reports Not Completed

The school conducted approximately **10** sponsored fundraisers and **4** school-wide fundraisers during the audit period November 2022 – July 2024. However, Fundraiser Requests and Authorization and Fundraiser Completion Reports were not always documented. In addition, the annual reports summarizing fundraising activities for FY 2023 and FY 2024 were not completed to support compliance with the fundraiser reporting requirements.

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.

The recordkeeping staff was not aware that the school-wide fundraisers were required to have Fundraiser Request and Authorization Forms. Also, fundraising sponsors were not held accountable for completing the Fundraiser Completion Reports. The recordkeeping staff was also not aware of the annual fundraising report requirement.

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.

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Recommendations: The recordkeeping staff must seek to become familiar with the fundraiser reporting requirement by reviewing the APM. The principal must enforce the requirement for the 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 summarizing fundraising activities held. The required reports must be maintained on file for public and auditor review.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Ernest E. Just Middle School was issued for the period ended October 31, 2022. During the previous audit, the current principal and the current recordkeeping staff were not on staff. There were **6** findings noted during that audit, of which **2** are repeated as summarized below:

- **Restricted Deficit Accounts** – Controls appear to be working.
- **Incomplete Monetary Transmittal Form Log** – Controls appear to be working.
- **Inadequate Approval of Expenditures** – Condition still exists. **See Finding 2025.02** regarding *Mismanagement of Disbursements: Inadequate Pre-Approval of Expenditures*.
- **Delinquent Monthly Bank Reconciliations** – Controls appear to be working.
- **Record Retention** – Controls appear to be working.
- **End of Year Monetary Transmittal Form Envelopes** – Condition still exists. **See Finding 2025.04** regarding *End of Year Monetary Transmittal Form Submission Process Not Followed*.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools

Internal Audit Department

School/Office: Ernest E. Just Middle School – School Activity Funds

Response Due Date: January 17, 2024

Findings	Action Plan	Corrective Action Date	Implemented	Status Partially Implemented	Not Implemented
<p>There were at least 15 instances of non-compliance regarding the administration of funds received.</p> <p><i>Delinquent Deposits:</i> There were 7 instances where funds were not remitted and/or deposited timely. Delinquent remittance of funds ranged from 4 to 92 days.</p> <p><i>Unsupported Deposits:</i> There were 8 instances where MTFs were submitted without documentation to</p>	<p>The Principal and the bookkeeper will ensure that deposits are remitted in a timely manner through the following steps:</p> <ul style="list-style-type: none"> • Auditor & Bookkeeper Co-Present Professional Development with EEJMS Staff to educate our staff on Financial Procedures & Fiscal Responsibility • Request Exit Conference and Training from PGCPs Auditor to seek clarity on SAF Audit results <p>Principal established weekly meetings with Bookkeeper to review financial responsibilities which will include periodic reviews of deposit records to ensure compliance.</p>	<p>(10/2/2024)</p> <p>(9/18/24)</p> <p>(9/2024)</p>	X		

CFO/Principal/Director's Signature

Date _____

11/17/25

	verify the source of funds collected.	Bookkeeper holds an original copy of monthly financial reports and created backup copy of report for Principal. The bookkeeper will carefully review MTF's and supporting documents and send follow up notices to staff and copy administrative team to ensure compliance.	(9/2024)		
<u>2025.02</u> <u>Mismanagement of Disbursements</u>	There were at least 13 instances of non-compliance regarding the administration of disbursements. <i>Inadequate Pre-Approval of Expenditures:</i> There were 9 instances where the former principal did not pre-approve SFEFs prior to purchases. <i>This condition was noted during the previous audit for the period ended October 31, 2022.</i> <i>Delinquent Reimbursement</i>	The Principal and bookkeeper staff will meet to implement and enforce internal controls and procedures for the pre-approval process for disbursements, and the process for reimbursements and vendor invoices, to ensure that reimbursements and vendor invoices are submitted in a timely manner. <ul style="list-style-type: none"> • Auditor & Bookkeeper Co-Present Professional Development with EEJMS Staff to educate our staff on Financial Procedures & Fiscal Responsibility • Bookkeeper will ensure that copies of the expenditure/reimbursement forms are available to staff. She will review the form prior to any next steps to 	9//19/2024	X	
			10/2/24		
			9/18/24		

CFO/Principal/Director's Signature

Date

11/7/25



	<p>and/or Vendor Payments: There were 4 instances where reimbursement and/or vendor payments were not processed timely, resulting in delinquent payments ranging from 8 to 87 days.</p>	<p>ensure the principal pre-approval compliance has been met.</p>				
<p>2025.03 <u>Administrati</u> <u>on of</u> <u>Depository</u> <u>Safe</u></p>	<p>The school's depository safe is located in the bookkeeper staff's office where staff members do not have access in the bookkeeper staff's absence. Also, neither the former principal nor the current principal has access to the school's depository safe.</p> <p>The former principal and/or principal and bookkeeper staff were not aware that the school's depository safe</p>	<p>The principal, bookkeeper and building services supervisor will collaborate to identify a safe, accessible space to bolt safe for staff use</p> <p>The safe combination and access will be given to the current Principal.</p>	<p>1/2025</p> <p>10/24</p>			<p>X</p>

CFO/Principal/Director's Signature

Date



1/17/25

	should be in a location accessible to staff. Also, the former and current principals were not aware that they should have access to the school's depository safe.				
<u>2025.04</u> <u>End-of-Year</u> <u>Monetary</u> <u>Transmittal</u> <u>Form</u> <u>Submission</u> <u>Process Not</u> <u>Followed</u>	<p>The year-end MTF submission process was not operating as required. There were 6 instances where either the pink or yellow MTF remittances or both were not available for review, (FY 2024 – 3 MTFs; 1 staff member) and (FY 2023 – 3 MTFs; 2 staff members). Also, in FY 2024, MTF envelopes were not properly sealed. <i>This condition was noted during the previous audit for the period ended in October 2022.</i></p>	<p>The Principal and bookkeeper will emphasize to the staff the importance of keeping both the pink and yellow MTF copies together in the envelope provided to staff members from the Bookkeeper.</p> <p>Envelopes will be distributed and Envelopes will be collected at the EOY MTF collection meeting conducted by an Administrator designated by the Principal.</p> <p>Prior to the EOY meeting an email will be sent to the staff to inform them of the EOY meeting to verify the MTF's for SY 24-25. Once the MTF's are verified the Administrator will</p>	9/2024		X
<u>2025.04</u> <u>End-of-Year</u> <u>Monetary</u> <u>Transmittal</u> <u>Form</u> <u>Submission</u> <u>Process Not</u> <u>Followed</u> (Continued)		<p>Envelopes will be collected at the EOY MTF collection meeting conducted by an Administrator designated by the Principal.</p>	6/2024		

CFO/Principal/Director's Signature

Date

1/17/25



	Staff were not held accountable for submitting their end-of-year MTFs as required. Also, the former principal and/or designee did not ensure that all MTFs were submitted prior to staff members' departure.	sign and seal the envelopes to be stored in a secure location.			
<u>2025.05</u> <u>Administrati</u> <u>on of</u> <u>Contracts</u>	There were at least 3 instances of non-compliance regarding the administration of contracts. The FY 2023 and FY 2024 yearbook contracts did not have the former principal's signature affixed as required. The school has 3 snack vending machines, and 1 beverage vending machine located in the teachers' lounge.	The Principal will ensure that all applicable contracts are reviewed, signed and maintained on file for SY 24-25. The bookkeeper will keep a copy of contracts Bookkeeper will contact all Canteen vendor to get updated contracts for vending.	10/2024	X	

CFO/Principal/Director's Signature

Date

1/17/25

	However, there was no vending machine contract available for the 2024 school year.					
<u>2025.06</u> <u>Budgeting</u> <u>for Clubs</u> <u>and</u> <u>Organization</u> <u>s</u>	<p>The school has clubs that conduct financial activities, including the Student Government, National Junior Honor Society, Class Accounts, Dance Team, and Chorus. However, these clubs and organizations have not developed and submitted annual budgets to the bookkeeper staff and the Accounting and Financial Reporting Office (AFRO) as required.</p> <p>The principal and bookkeeper staff were not aware of the requirement for the clubs and organizations to</p>	<p>The Bookkeeper will review the Accounting Procedures Manual to get a better understanding of the requirements and procedures for preparing annual budgets for the school clubs.</p> <p>Sponsors will be notified by the bookkeeper/principal that an annual budget should be submitted to the bookkeeper for review</p> <p>The bookkeeper will contact AFRO for instructions regarding protocol</p>	1/15/2025		X	

CFO/Principal/Director's Signature


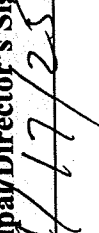
Date

1/17/25

	develop and submit an annual budget to the bookkeeper staff and AFRO.					
<u>2025.07</u> <u>Fundraiser</u> <u>Reports Not</u> <u>Completed</u>	<p>The school conducted approximately 10 sponsored fundraisers and 4 school-wide fundraisers during the audit period November 2022 – July 2024. However, Fundraiser Requests and Authorization and Fundraiser Completion Reports were not always documented. In addition, the annual reports summarizing fundraising activities for FY 2023 and FY 2024 were not completed to support compliance with the fundraiser reporting requirements.</p> <p>The bookkeeper staff was not aware that</p>	<p>The bookkeeper will review the APM fundraising reporting requirements.</p> <p>The principal must enforce the requirement for the 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.</p> <p>In addition, the principal or designee should complete reports at the end of the school year summarizing fundraising activities held. The required reports must be maintained on file for public and auditor review.</p> <p>Auditor & Bookkeeper Co-Present Professional Development with EEJMS Staff to educate our staff on Financial Procedures & Fiscal Responsibility</p>	<p>1/15/2024</p> <p>6/2024</p> <p>10/2/24</p>			X

CFO/Principal/Director's Signature


Date

	the school-wide fundraisers were required to have Fundraiser Request and Authorization Forms. Also, fundraising sponsors were not held accountable for completing the Fundraiser Completion Reports. The bookkeeper staff was also not aware of the annual fundraising report requirement.						

CFO/Principal/Director's Signature

Date


1/17/25