



August 19, 2022

MEMORANDUM

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

Robynne Prince, Principal
Martin Luther King Jr. Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period July 1, 2016 through March 31, 2022

An audit of the financial records of **Martin Luther King Jr. Middle School** was completed for the period July 1, 2016 through March 31, 2022. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **September 19, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft Word template and any other correspondence to the Internal Audit Office, email address internal.audit@pgcps.org. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
David Curry, Ed. D., Associate Superintendent
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Joeday Newsom, Esq., Director, Board of Education Staff Office
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**Martin Luther King Jr. Middle School
School Activity Funds**

For the Period Ended March 31, 2022

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

Table of Contents

INTERNAL AUDITOR’S REPORT.....2
SUMMARY 3
OBJECTIVES 3
SCOPE 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS 7
ACKNOWLEDGEMENT 7

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Martin Luther King Jr. Middle School for the period July 1, 2016 through March 31, 2022. Martin Luther King Jr. 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:

- *Record Retention,*
- *Mismanagement of Disbursements,*
- *Inaccurate Fund Transfers, and*
- *Principal Sponsored Activities Fund Account Deficit*

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, except for the deviation from the criteria described in the preceding paragraph, the APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended March 31, 2022.



Michele Winston, CPA
Director, Internal Audit

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Martin Luther King Jr. Middle School for the period July 1, 2016 through March 31, 2022. 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 4 findings which occurred under the leadership of the current principal and acting 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 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 July 1, 2016 through March 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Several documents were not on file for review (*See 2023.01 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.

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01: Record Retention

Supporting documentation to substantiate financial transactions was not available for review in the following instances:

- **11** - Original Monetary Transmittal Forms
- **2** - Year-end Monetary Transmittal Forms (pink and yellow remittances)
- **40** - Cash Disbursement Documentation for FY 2020
- **38** - Voided Checks
- **14** - Cancelled Checks
- **7** - Bank Deposit Receipts/Slips

APM Section 6.12 Record Retention requires all SAF records to 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, SFEEFs, canceled checks, and contracts.

According to the principal, the missing MTFs she has no knowledge of the prior administration record keeping for the documents that are missing from FY 2020. However, she acknowledged that the missing documents from FY 2021 and FY 2022 occurred because of inadequate monitoring.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements. Missing financial documentation also increases financial risk to the school.

Recommendations: The principal should conduct frequent review of financial records to determine proper organization, completeness and accuracy. Financial records must be retained for the specified period. The recordkeeping staff and principal must be held accountable for compliance.

2023.02: Mismanagement of Disbursements

The following exceptions in the management of disbursements were noted:

- ***Inadequate Approval Process*** – There were **6** instances where expenditures were either not approved by the principal or approved after the purchase was made.

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

- ***Inadequate Documentation*** – There were **3** instances where documentation to substantiate expenditures was inadequate.
- ***Delinquent Payments*** – There were **3** instances where vendor payments were not processed in a timely manner. The payments were processed more than 6 weeks past the due date. The delinquency ranged from 46 to 100 days.
- ***Administration of Voided Checks*** – There were **5** instances where the signature line was not removed from voided checks as required.
- ***Cancelled Check*** – There was one instance where a cancelled check (Check 18793) for \$475.00 did not comply with the dual signature requirement

The APM, Section 4.5.3.1 requires the completion and approval of the SFEF by the principal prior to the purchasing goods or services.

The APM also requires the payment of invoices by the due date or within 30 days of receipt. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

The APM Section 4.5.3 *Cash Disbursements, Inclusion of Supporting Documentation* - All checks must have itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sale, etc.

The APM also requires the signature line to be removed from checks during the check voiding processed. Checks are also required to be dually signed.

The principal could not explain the errors, but noted that monitoring was not done as required and was contributory to undetected errors.

Approving purchases without adequate documentation and failure to adequately approve expenditures may result in payment for goods and services that were not received and increases the school's vulnerability to potential misuse or waste of resources. Delinquent payment of invoices could result in the vendor placing the BOE's account with a collection agency where significant collection fees could be assessed. Inappropriate processing of checks increases the school's risk of check fraud.

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

Recommendations: The following steps should be taken to improve the management of disbursements:

- Provisions must be made to ensure the timeliness of submission of request for expenditures and prompt processing of vendor payments school by the invoice due date or within 30 days of receipt.
- The principal must review the financial records at least monthly to ensure that transactions are accurate and that the required supporting documentation is included to substantiate the disbursement transactions.

2023.03: Inaccurate Fund Transfers

Journal entries were made improperly as follows:

- There was 1 instance where a transfer to the PSA fund account was calculated incorrectly; 28% of the student vending was transferred to PSA instead of 25% as required (\$18.58 was transferred instead of \$16.02).
- There were two unallowable transfers made from the administrative allotment account to PSA staff appreciation accounts in the amounts of \$61.82 and \$238.00.

APM Section 9.1 Administrative Allotment - The administrative allotment cannot be transferred into a restricted account, nor be used for staff food, appreciation, clothing, gifts, etc.

APM Section 9.6 Principal-Sponsored Activities (PSA) for Staff - Twenty-five percent (25%) of vending commissions from student-accessed machines up to the first \$50,000 and then 10% of any amount exceeding \$50,000.

The principal claimed to be unaware that these errors occurred. It appears that these errors occurred and were undetected due to inadequate review.

Inaccurate and unallowable fund transfers constitute noncompliance with the requirements of the APM and reduces the availability of funds for approved expenditures.

Recommendation: The principal must consistently monitor the school's financial activities to ensure that the PSA fund transfers are made based on the guidelines stipulated in the APM.

Martin Luther King Jr. Middle School
School Activity Funds
Internal Audit Report
For the period ended March 31, 2022

2023.04: Principal Sponsored Activities Fund Account Deficit

The PSA Food fund account had a deficit of (\$839.26) as of March 31, 2022.

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 principal explained that each time that an expenditure was initiated for a PSA activity, the recordkeeping staff stated that there were funds available. However, the principal did not verify this information.

Recommendations: The principal should ensure that all expenditures from the PSA account cease until the negative balance is eliminated. Better planning and budgeting would be advisable to prevent further deficits from occurring. The principal must carefully review the requests for PSA expenditures and the *Year to Date* reports to ensure that funds are available prior to approving related expenditures.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Martin Luther King Jr. Middle School was issued for the period ended June 30, 2016. During that period, the principal was not in her current position. The principal's tenure began in August 2021. The recordkeeping staff's position is vacant. A total of 3 findings were noted in that audit and 2 have been repeated in this audit as indicated below.

- **Untimely Deposits** – This condition was not observed during this audit.
- **Delinquent Payments of Invoices** – Condition still exists. **See Finding 2023.02** regarding *Mismanagement of Disbursements*.
- **Non Retention of Financial Records** - Condition still exists. **See Finding 2023.01** regarding *Record Retention*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Martin Luther King Jr. Middle School for their cooperation and assistance extended during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office: Martin Luther King Jr. MS
Response Date September 19, 2022

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Record Retention</u>	The principal should conduct frequent review of financial records to determine proper organization, completeness and accuracy. Financial records must be retained for the specified period. The recordkeeping staff and principal must be held accountable for compliance.	Concur	<ul style="list-style-type: none"> ● The Principal's Secretary resigned in March 2022. A new Principal's Secretary started on May 20, 2022. ● The new Principal's Secretary has been on maternity leave from July 2022 until Mid October 2022. A Financial Secretary has been hired and started September 2022. ● Principal provided a weekly plan to the Principal's Secretary (in absence of a Financial Secretary/Bookkeeper) to provide financial reports - SAF/GLAM inquiries on Mondays in order to monitor financial records. ● Principal and the finance support team will monitor the SAF and SFO funds - 	August 2022	Implemented

Principal Signature *Raymond W. Prince*
Date 9/16/2022

				<p>weekly - in preparation for the monthly financial reports.</p> <ul style="list-style-type: none"> Principal has attended training re: all aspects of budget and financial procedures and confers frequently with Katrina Greene and Clarence Houze. The Principal and Support staff developed a system of record keeping the organized financial records from previous principals as to align organizational systems and structures with the present administration. All financial record keeping systems and structures are streamlined and easily communicated to support team members. 		
2.	<u>2023.02: Mismanagement of Disbursements</u>	<p>The following steps should be taken to improve the management of disbursements:</p> <ul style="list-style-type: none"> Provisions must be made to ensure the timeliness of submission of request for expenditures and prompt processing of vendor payments school by the invoice due date or within 30 days of receipt. 	Concur	<ul style="list-style-type: none"> The Principal's Secretary resigned in March 2022. A new Principal's Secretary started on May 20, 2022. The new Principal's Secretary has been on maternity leave from July 2022 until Mid October 2022. A Financial Secretary 	August 2022	Implemented

Principal Signature Rayanne W. Prince

Date 9/16/2022

		<ul style="list-style-type: none"> •The principal must review the financial records at least monthly to ensure that transactions are accurate and that the required supporting documentation is included to substantiate the disbursement transactions. 		<p>has been hired and started September 2022.</p> <ul style="list-style-type: none"> • The process for the request for expenditures has been communicated verbally (During Pre-Service Week presentation) and in writing (During Pre-Service Week presentation) to all Faculty and staff. • Staff was provided a Google Form to provide their electronic signature confirming their knowledge and receipt of PGCPs/MLKMS financial procedures. • Teacher Sponsors were provided the same information (again) regarding extra-curriculars activities and athletics. • Principal and the finance support team will monitor the SAF and SFO funds - weekly - in preparation for the monthly financial reports. 		
3.	<u>2023.03:</u> <u>Inaccurate Fund Transfers</u>	The principal must consistently monitor the school's financial activities to ensure that the PSA fund transfers are made	Concur	<ul style="list-style-type: none"> • The Principal's Secretary resigned in March 2022. A new Principal's Secretary started on May 20, 2022. 	August 2022	Implemented

Principal Signature

Robynne W. Primm

Date

9/16/2022

		based on the guidelines stipulated in the APM.		<ul style="list-style-type: none"> • The new Principal's Secretary has been on maternity leave from July 2022 until Mid October 2022. A Financial Secretary has been hired and started September 2022. • Principal will monitor the SAF - PSA fund transfers for accuracy and monitor the funds transfer process as it aligns to the APM. • Principal and the finance support team will monitor the SAF and SFO funds - weekly - in preparation for the monthly financial reports. 		
4.	<u>2023.04: Principal Sponsored Activities Fund Account Deficit</u>	The principal should ensure that all expenditures from the PSA account cease until the negative balance is eliminated. Better planning and budgeting would be advisable to prevent further deficits from occurring. The principal must carefully review the requests for PSA expenditures and the <i>Year to Date</i> reports to ensure that funds are available prior to approving related expenditures.	Concur	<ul style="list-style-type: none"> • The Principal's Secretary resigned in March 2022. A new Principal's Secretary started on May 20, 2022. • The new Principal's Secretary has been on maternity leave from July 2022 until Mid October 2022. A Financial Secretary has been hired and started September 2022. • Principal has ceased expenditures from the PSA. • Principal is monitoring the delinquency and 	August 2022	Implemented

Principal Signature

Raymond W. Ponce

Date

9/16/2022

				<p>transferring funds as they align with the APM.</p> <ul style="list-style-type: none">● Principal will monitor the SAF - PSA fund transfers for accuracy and monitor the funds transfer process as it aligns to the APM.● Principal and the finance support team will monitor the SAF and SFO funds - weekly - in preparation for the monthly financial reports.		
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Principal Signature

Robynne W. Prince

Date

9/16/2022