

June 02, 2023

MEMORANDUM

To: Dallas Lee, Instructional Director
Cluster 9

Erin Cribbs, Principal
Walker Mill Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of October 31, 2022

An audit of the financial records of **Walker Mill Middle School** was completed for the period July 1, 2019 through October 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 Funds (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan by **June 30, 2023**, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address: internal.audit@pgcps.org. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Roderick Adams, Compliance and Procedures Administrator, email address: Roderick.adams@pgcps.org and Katrina Greene, email address: katrina.greene@pgcps.org.

cc: Judy Mickens-Murray, Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Dougherty, CPA, Director, Financial Services
Helen Coley, Ed. D., Chief of School Support and Leadership
David Curry, Ed.D., Associate Superintendent, Area 2
Robin Welsh, Director, Office of Government Relations, Compliance and Procedures
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Benjamin Hanks, Internal Auditor II

Internal Audit Report

Walker Mill Middle School
School Activity Funds

For the Period Ended October 31, 2022

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Table of Contents

INTERNAL AUDITOR'S REPORT	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDITI FINDINGS	7
ACKNOWLEDGEMENT	8

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Walker Mill Middle School for the period of July 1, 2019 to October 31, 2022. Walker Mill Middle School's principal is responsible for the administration of the SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following seven findings:

- *Records Retention;*
- *Mismanagement of Disbursements;*
- *Fundraiser Forms Not Completed; and*
- *Management Oversight*

The finding resulted in a 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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has mostly been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2022.



Michele Winston, CPA
Director, Internal Audit

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

SUMMARY

An audit of the school activity funds (SAF) for Walker Mill Middle School was completed for the period July 1, 2019 to October 31, 2022. 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 **4** findings which occurred under the leadership of the current principal. The findings and the personnel responsible are included in the appendix at the end of the audit report. Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school was in compliance with the policies and procedures of the 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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2019 to October 31, 2022. Also, available receipts, disbursements and 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.

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Records Retention

There were **71** instances where SAF records **could not be located**. *This condition was also noted in the previous audit as of June 30, 2019.*

- Journal Entry Proof Sheets: **15** records
- Cancelled check images: **42** records
- Disbursement records (including SFEF): **5** records
- Voided checks: **6** records
- Disbursement supporting documentation (invoice, receipt, etc.): **3** records

The APM Section 6.12, *Record Retention*, states that all SAF records must be retained for a period of 7 years and/or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursements, MTFs, SFEFs, cancelled checks, and school contracts.

SunTrust Bank changed to Truist Bank during the audit period. The bank ceased to include cancelled check images with the school's bank statements immediately following this change. A further cause could not be determined for the absence of the remaining SAF records. The school did not follow proper BOE policies and procedures when retaining SAF records.

Assurance that SAF transactions were conducted in accordance with BOE policies cannot be verified when financial records are not available for audit.

Recommendation: The principal and recordkeeping staff should periodically review SAF records to ensure that all documentation is maintained in accordance with the record retention policy. The Principal should contact Treasury Services for assistance with obtaining monthly cancelled checks.

2023.02 Mismanagement of Disbursements

There were **5** instances of non-compliance regarding the disbursement of funds. *This finding was noted during the previous audit period ended June 30, 2019.*

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

A. *Documentation of Disbursement Amounts:* There were **2** instances where documentation included with disbursement records did not substantiate disbursement amounts:

- Check #9590 was issued for the purchase of poster maker supplies in the amount of \$1,054.87, but was supported by a quote instead of an invoice or a store receipt.
- Check #9591 was issued for a reimbursement of \$79.49, however, supporting documentation included with the SFEF indicates that sales tax was included in the reimbursed amount.

B. *Inadequate Approval of Disbursements:* There were **3** instances where disbursements were not adequately approved by the principal:

- Check #9635 was approved by the principal without verification that sufficient funds were available for the disbursement.
- Check #9652 was approved by the principal without verification that sufficient funds were available for the disbursement. Also, the SFEF did not include the principal's approval date.
- Check #9594 did not include the principal's approval on the corresponding SFEF.

APM Section 4.5.3.1, *Cash Disbursements Procedures*, states that "prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the principal." Additionally, all disbursements must be supported by "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. Examples of documents that are not itemized invoices or receipts include credit card receipts, statements, order confirmations, price quotes, and packing slips."

APM Section 8.3 *Sales Tax Procedures* states that "purchases made by schools and PGCPS are tax-exempt, if used in the conduct of school business." Additionally, "Sales tax will not be reimbursed if paid when purchasing items for education purposes."

The following causes were attributed to the mismanagement of disbursements:

- Check #9594 was issued for a refund for a cancelled field trip, where the original check was lost by the parent and was subsequently written-off. The parent

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

requested the refund be re-issued, and the SFEF approval was overlooked for the second issuance of the refund with check #9594.

- Check #9590 was a non-compliant disbursement due to an oversight by the school's principal and recordkeeping staff.
- The principal and recordkeeping staff did not always exercise due care while processing disbursements.

Internal controls regarding the disbursement of funds are compromised when disbursements are not appropriately supported or adequately approved and increases the risk of fraud, waste, and abuse of the SAF.

Recommendation: The recordkeeping staff should ensure all expenditures are properly reviewed and approved before disbursements are made. Staff should be held accountable for completing the SFEF and obtaining approval from the principal before purchasing items. The recordkeeping staff and the principal should ensure that all documentation included with the SFEF supports the respective expenditure before a disbursement is approved and the disbursement is made. Careful review of supporting documentation must be performed to ensure that no sales tax is reimbursed when issuing expenditure reimbursements. A process for staff to access the school's tax exempt number must be implemented to facilitate sales tax-exempt purchases.

2023.03 Fundraiser Forms Not Completed

Annual Fundraiser Reports were not completed for sponsored and school-wide fundraisers held during the audit period. Also, Fundraiser Completion Forms were not prepared for sponsored fundraisers held. *This condition was also noted in the previous audit as of June 30, 2019.*

Administrative Procedure 5135.1, *Fund Raising* requires the completion of Fundraiser Request and Authorization Forms, the Fundraiser Completion Form and the Annual Fund Raising Summary Report for fundraising events held by schools.

The fundraising sponsors and the principal did not follow proper BOE policies and procedures when administering fundraising activities.

It is difficult to determine whether the fundraisers conducted by the school yielded any financial benefit or losses to the school since financial records are not complete and profit / loss ratio of fundraisers conducted could not be determined.

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Recommendation: Staff sponsors must be required to complete the Fundraiser Completion Form at the end of each fundraiser and be held accountable for compliance. The principal must designate the responsibility for completion of the annual fund raising report to summarize the fundraising events for the school year.

2023.04 Management Oversight

The principal did not exercise proper oversight in the administration of the SAF during the audit period. The previous audit included **6** findings, **3** of which are repeated in this audit report.

According to APM Section 3.2.1 *Principals*, the principal acts as the fiduciary agent for the SAF. As such, responsibility for accounting, safeguarding, and managing the SAF in accordance with PGCPs policies and procedures rests solely with the principal.

The principal did not adequately implement the recommendations from the school's previous audit for the period ending June 30, 2019, and did not provide effective oversight to adequately identify and address weaknesses in the school's control environment.

Significant financial risks currently exist at Walker Mill Middle School in the absence of effective management oversight.

Recommendations: The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. There should be consistent involvement in daily operations relating to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these **5** basic principles:

- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documents and Records;
- Limited Access to Assets; and
- Independent Checks on Performance

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Walker Mill Middle School was issued for the period ended June 30, 2019. The current principal was on staff during that audit; the current recordkeeping staff was not on staff during that audit. There were **6** findings noted as a result of that audit, summarized below.

**Walker Mill Middle School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

- **Mismanagement of Funds Received** – Condition was not noted during this audit
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2023.02** regarding *Mismanagement of Disbursements*.
- **Financial Reporting** – Condition was not noted during this audit.
- **Fundraiser Forms** – Condition still exists. See **Finding 2023.03** regarding *Fundraiser Forms*.
- **Restricted Account Deficits** – Condition was not noted during this audit; and
- **Records Retention** – Condition still exists. See **Finding 2023.04** regarding *Records Retention*.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department**

School/Office: Walker Mills MS


Response Due Date June 30, 2023

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Records Retention</u>	The principal and recordkeeping staff should periodically review SAF records to ensure that all documentation is maintained in accordance with the record retention policy. The Principal should contact Treasury Services for assistance with obtaining monthly cancelled checks.	Concur	A new filing system will be created. and canceled checks will be filed with the reconciliation reports.	April 2023	Implemented
2.	<u>2023.02: Mismanagement of Disbursements</u>	The recordkeeping staff should ensure all expenditures are properly reviewed and approved before disbursements are made. Staff should be held accountable for completing the SFEF and obtaining approval from the principal before purchasing items. The recordkeeping staff and the principal should ensure that all documentation included with the SFEF supports the respective expenditure before a disbursement is approved and the disbursement is made. Careful review of supporting documentation must be performed to	Concur	A. All staff has been instructed regarding the policy of obtaining pre approval for all expenditures in order to be reimbursed. B. Recordkeeping staff will insure that appropriatethe SFEF is completely filled out beore approval C. Recordkeeping staff will ensure that staff receive tax exempt card before purchase. Staff will sign in and sign out the tax exempt card.	July 1, 2023	Partillay Implemented

Principal Signature 

Date June 27, 2023

		ensure that no sales tax is reimbursed when issuing expenditure reimbursements. A process for staff to access the school's tax exempt number must be implemented to facilitate sales tax-exempt purchases.				
3.	<u>2023.03:</u> <u>Fundraiser</u> <u>Forms Not</u> <u>Completed</u>	Staff sponsors must be required to complete the Fundraiser Completion Form at the end of each fundraiser and be held accountable for compliance. The principal must designate the responsibility for completion of the annual fund raising report to summarize the fundraising events for the school year.		Recordkeeping staff will more closely monitor FR requests and establish a calendar reminder for follow up to insure Completion Reports are completed in entirety and accurately.	March 2023	Implemented
4.	<u>2023.04</u> <u>Management</u> <u>Oversight</u>	The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. There should be consistent involvement in daily operations relating to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these 5 basic principles: <ul style="list-style-type: none"> · Clearly Defined Lines of Authority and Responsibility; · Segregation of Duties; · Maintenance of Adequate Documents and Records; · Limited Access to Assets; and · Independent Checks on Performance 	Partially Concur	The Principal has had 4 Accounting Secretaries in the past 6 years. They are consistently reviewing produces and training new staff to ensure that the school does not continue to make the same mistakes.	April 2023	Implented

Principal Signature  _____

Date June 27, 2023