


September 29, 2020

**MEMORANDUM**

To: Janice Briscoe, Ed. D, Instructional Director  
Cluster 7

Michelle Towles-Monroe, Principal  
Nicholas Orem Middle School

From: Michele Winston, CPA, Director   
Internal Audit

Re: Financial Audit for the Period July 1, 2016 through June 30, 2020

An audit was completed on the financial records of **Nicholas Orem Middle School** for the period July 1, 2016 through June 30, 2020. 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 30, 2020** 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](mailto:internal.audit@pgcps.org). A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org).

Enclosure

cc: Alvin Thornton, Ed. D, Chairman, Board of Education  
Monica Goldson, Ed. D, Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Helen Coley, Ed. D, Chief School Support and Leadership  
Michael Herbstman, Chief Financial Officer  
James Dougherty, CPA, Director, Financial Services  
David Curry, Ed. D, Associate Superintendent of Middle and K-8 Schools  
Suzann King, Esq, Executive Director, Board of Education  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Janice Walters-Semple, CPA, Supervisor, Internal Audit  
Theodore Dzodzomenyo, Internal Auditor II

**Internal Audit Report**  
**Nicholas Orem Middle School**  
**Student Activity Funds**  
**For the Period Ended June 30, 2020**

Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

**Table of Contents**

INTERNAL AUDITOR’S REPORT.....2  
SUMMARY ..... 3  
OBJECTIVES ..... 3  
SCOPE ..... 3  
FINDINGS AND RECOMMENDATIONS..... 4  
STATUS OF PRIOR AUDIT FINDINGS ..... 6  
ACKNOWLEDGEMENT ..... 6

Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Nicholas Orem Middle School for the period July 1, 2016 through June 30, 2020. Nicholas Orem 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 Governmental Accountability Office 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:

- *Delinquent Deposits;*
- *Inadequate Approval of Expenditures; and*
- *Deficits in Restricted Accounts*

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 June 30, 2020

Michele Winston, CPA  
Director, Internal Audit



Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

**SUMMARY**

The Internal Audit Department completed an audit on the student activity funds for Nicholas Orem Middle School for the period July 1, 2016 through June 30, 2020. The audit was conducted as part of the audit plan for the year.

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 Accounting Procedures Manual for School Activity Funds 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 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 June 30, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2021.01: Delinquent Deposits**

There were **3** instances where the funds received were not deposited timely. The delinquency ranged from **10 to 16** days after initial collection by staff members.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* includes the following provisions: All funds collected must be submitted to the Bookkeeper on the same day collected, along with a completed MTF. The Bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.

The recordkeeping staff explained that, staff members are aware about remitting funds for deposit daily. However, staff members did not follow the requirement for daily remittance in these instances.

Delinquent deposit of funds and insufficient documentation of deposits not only constitute non-compliance with Board policies and procedures and increases the risk of loss and fraud, but also reduces the assurance that, all funds collected were accounted for appropriately.

**Recommendations:** The staff members must be reminded of the requirement to remit funds collected to the recordkeeping staff on the day of collection and the prohibition by the BOE to secure funds in classrooms or remove funds from the school premises. The administration must establish internal controls to ensure that staff members remit funds collected to the recordkeeping staff daily. Staff members must be held accountable for compliance.

**2021.02: Inadequate Approval of Expenditures**

There were **10** instances where the principal's pre-approval of the expenditures was not adequately documented. School Funds Expenditure Forms (SFEF) were not approved before the expenditures were incurred in 4 of these instances and in 1 instance the SFEF was not signed. The principal also did not append the date of the approval on the SFEF in 5 instances.

Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

Prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the Principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.

The principal acknowledged that the omission of her signature was an oversight. In the other instances, verbal authorizations were obtained from the principal. Staff members were not held accountable to complete the SFEFs after the receiving verbal approval

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to pre-approve expenditures can result in accounts being insolvent.

**Recommendation:** The principal and recordkeeping staff should establish internal controls to ensure that pre-approval of expenditures is performed as evidenced by the principal's dated signature on the SFEF. Staff members must be trained on the process and be held accountable for compliance. The practice of issuing verbal approvals should be discontinued.

**2021.03: Deficits in Restricted Accounts**

The following restricted accounts had deficits as of June 30, 2020 which aggregated to approximately **(\$2,650.67)**. The aggregate deficits that existed as of January 31, 2012, the date of the previous audit was (\$14,099.39).

<b>Account</b>	<b>Balances</b>
Principal Sponsored Activities	(\$1,804.55)
Yearbook	(\$846.12)
<b>Total</b>	<b>(\$2,650.67)</b>

According to the APM, the principal as the fiduciary agent for the SAF, should ensure all accounts are solvent at all times.

According to the recordkeeping staff, these were legacy deficits from previous administrations which the current administration has been working to correct.

Excessive spending in restricted accounts have resulted in insolvency in the respective accounts and could result in insolvency of the SAF.

Nicholas Orem Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2020

**Recommendation:** The principal should liaise with the Accounting and Financial Reporting Office about options to close out the accounts.

**STATUS OF PRIOR YEAR FINDINGS**

The previous audit report for Nicholas Orem Middle School was issued for the period ended January 31, 2012. The current principal was not in her current position but the recordkeeping staff was in her current position. The following findings were noted as a result of the last audit and their current status is indicated below.

1. **Contracts** - Condition was not noted during this audit.
2. **Delinquent Deposits and Incomplete MTF Documentation** - Condition still exists. See **Finding 2021.01** regarding *Delinquent Deposits*.
3. **Cash Disbursements Management** - Condition still exists. See **Finding 2021.02** regarding *Inadequate Approval of Expenditures*
4. **Failure to Forward Grant Funds to the Board of Education** - Condition was not noted during this audit.
5. **Excessive Spending in Restricted Accounts** Condition still exists. See **Finding 2021.03** regarding *Deficits in Restricted Accounts*.

**ACKNOWLEDGEMENT**

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



**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: Nicholas Orem MS**  
**Response Date October 30, 2020**

	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non- Concur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Status Implemented Partially Implemented Not Implemented</b>
1.	<b><u>2021.01: Delinquent Deposits</u></b>	The staff members must be reminded of the requirement to remit funds collected to the recordkeeping staff on the day of collection and the prohibition by the BOE to secure funds in classrooms or remove funds from the school premises. The administration must establish internal controls to ensure that staff members remit funds collected to the recordkeeping staff daily. Staff members must be held accountable for compliance.	Concur	Bookkeeper and principal will retrain staff members on the protocols for proper collection and submission procedures. Funds will only be collected on Monday, Wednesday and Fridays by noon to ensure timely deposits.  Bookkeeper will make deposits in a timely manner when funds are submitted.	11-18-20	Partially Implemented  Full Implennation on 11-18-20
2.	<b><u>2021.02: Inadequate Approval of Expenditures</u></b>	The principal and recordkeeping staff should establish internal controls to ensure that pre-approval of expenditures is performed as evidenced by the principal's dated signature on the SFEF. Staff members must be trained on the process and be held accountable for compliance. The practice of issuing verbal approvals should be discontinued.	Concur	Pre approvals must be submitted to principal in writing prior to completing the SFEF.	SY 21 and beyond	Implemented
3.	<b><u>2021.03: Deficits in Restricted Accounts</u></b>	The principal should liaise with the Accounting and Financial Reporting Office about options to close out the accounts.	Concur	Principal will continue to work with liaise to close outstanding accounts.	SY 21 and beyond	Implemented

Principal Signature Mihelle J. Mome

Date 10/23/2020

Principal Signature *Michele J. Moore*

Date 10/23/2020