

February 10, 2022

MEMORANDUM

To: Janice Briscoe, Ed. D., Instructional Director
Cluster 13

LaChonda Ellerby, Ed. D., Principal
James E. Duckworth Regional School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of October 31, 2021

An audit of the financial records of **James E. Duckworth Regional School** was completed for the period July 1, 2016 through October 31, 2021. 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 **March 10, 2022**, 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; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbtzman, Chief Financial Officer
J. Michael Dougherty, CPA, Director, Financial Services
Helen Coley, Ed. D., Chief of School Support and Leadership
Carletta Marrow, Ed. D., Associate Superintendent
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Benjamin Hanks, Internal Auditor II

Internal Audit Report

James E. Duckworth Regional School
School Activity Funds

For the Period Ended October 31, 2021

**James E. Duckworth Regional School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2021**

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**James E. Duckworth Regional School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of James E. Duckworth Regional School for the period July 1, 2016 to October 31, 2021. James E. Duckworth Regional 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 findings:

- *Principal Sponsored Activities Fund Account Deficits;*
- *Delinquent Monthly Bank Reconciliations;*
- *Records Management;*
- *Check Signers;*
- *Administration of Vending Machine Contract;*
- *Fundraiser Forms/Reports Not Completed; and*
- *Unsecured Deposit Safe*

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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above **has not** been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2021.



Michele Winston, CPA
Director, Internal Audit

**James E. Duckworth Regional School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2021**

SUMMARY

The Internal Audit Department has completed an audit of the school activity funds (SAF) for James E. Duckworth Regional School for the period July 1, 2016 to October 31, 2021. 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 7 findings, 3 of which occurred under the leadership of the current 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 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, 2016 to October 31, 2021. 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following finding and recommendation:

2022.01 Principal Sponsored Activities Account Deficits

There were 2 restricted accounts where deficits were identified in FY 2022:

• 450.20 PSA-Food	(\$ 473.92)
• <u>450.30 PSA-Staff Appreciation</u>	<u>(\$ 284.67)</u>
Total	(\$758.59)

According to the APM, 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 APM, section 9.6 *Principal Sponsored Activities (PSA) for Staff* indicates discretionary expenditures incurred by the principal on behalf of the school staff are grouped in the PSA accounting category. These activities must of a professional nature that enhances the staff member's job performance. Expenditures for authorized principal sponsored activities are restricted to funds available from the sources as outlined in the manual, which includes:

- 100% vending commissions in the staff lounge,
- 25% of vending commissions from student accessed machines up to the first \$50,000.00 and
- 15% of school-wide fundraising profits.

Available funds were not verified before a staff incentive purchase and 2 staff appreciation purchases were made from the PSA-Food account. Additionally, \$73.92 was transferred into the PSA-Food account in error and subsequently reversed twice, further contributing to the account deficit.

Overspending in restricted fund accounts can result in insufficient funds being available to administer students' activities.

Recommendation: The principal must review School Funds Expenditure Forms to ensure that the *available funds* field is completed to inform the decision for approving expenditures. The recordkeeping staff must be held accountable for ensuring that SFEFs are entirely completed and that transfers are appropriately performed to assist in resolving the deficits. Spending from these PSA fund accounts must be discontinued until the deficits are resolved.

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2022.02 Delinquent Monthly Bank Reconciliations

There were **8** instances where monthly bank reconciliations were not performed in a timely manner:

Month of Reconciliation	Date Review Completed	Days Late
April 2021	5/20/2021	5
March 2021	4/26/2021	11
December 2020	1/20/2021	5
November 2020	12/20/2020	5
July 2020	8/19/2020	4
June 2020	7/20/2020	5
April 2020	6/15/2020	31
March 2020	6/15/2020	61

According to APM Section 5.1.2 *Monthly Reconciliation and Financial Reporting*, recordkeeping staff is required to complete the bank reconciliation within 7 days of receiving the bank statement. All financial reports should be completed by the 15th of each month and submitted to the principal for review and approval.

The current principal's and recordkeeping staff's tenure at the school began on 11/22/2021 and 8/2/2021, respectively. The former principal and recordkeeping staff were not available for a more detailed cause of delinquencies to be determined.

The principal's fiscal responsibility is compromised when monthly financial reporting is not available and/or reviewed timely. The principal is unable to make informed fiscal decisions when monthly financial reporting is not available for review and approval.

Recommendation: The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the bank statement and review and approval by the 15th of each month).

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2022.03 Records Management

There were several instances of noncompliance noted regarding records management. Financial records were not located for review in the following **20** instances:

- **3 *Cash Receipt Records*** (Monetary Transmittal Form, bank Deposit Receipt, SFO Report);
- **4 *Cash Disbursements Records*** (School Funds Expenditure Form, invoice/receipt, cancelled check);
- **7 *Voided Checks***;
- **2 *Cancelled Checks***;
- **1 *Fund Transfer Journal Entry Proof Sheet***; and
- **3 *Monetary Transmittal Forms*** from **2** staff members' Year-End MTF envelopes

There were also **11** instances where cancelled check images from “Lamont Regional School” were included with the school’s cancelled check records.

According to APM Section 6.12 *Record Retention*, 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, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.

The current principal and recordkeeping staff did not receive a knowledge transfer or training session regarding recordkeeping from the school’s previous principal and recordkeeping staff. The previous principal’s building and records access was revoked before the current principal assumed responsibility for the school’s records. The recordkeeping staff contacted the Accounting and Financial Reporting office for training during the audit period. There was no specific explanation provided relative to the missing financial records or the inclusion of another school’s check images with James E. Duckworth Regional School’s financial documents.

The absence of an effective records management system impacts the retrieval of or accessibility to requested documentation. Specifically, the planned completion date of the audit fieldwork was extended as a result of spending additional time locating documents for testing. Evidence for determining that internal controls for ensuring all SAF policies and procedures are followed is removed when financial records are unavailable for review. Recordkeeping staff has since returned the improperly retained cancelled check images to the appropriate school.

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Recommendation: The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of each school year to the principal and/or designee. The principal should conduct a periodic review of financial records to determine proper organization. The recordkeeping staff must be held accountable for compliance.

2022.04 Check Signers

The current principal's tenure began on 11/22/2021; however, the current principal is not an authorized signer for the school's checking account. The current check signers include the recordkeeping staff, a lead teacher, and the former principal.

According to Administrative Procedure 4180 *School Bank Accounts: Opening of New Accounts and Changing Signatures*, schools must maintain three authorized signers on the checking account: the principal, the bookkeeper, and another administrator. The principal and bookkeeper should be the primary signers on the account, while the 3rd should be an administrator who can sign in one of the primary signatories' absence.

The current principal did not receive any training relative to SAF. The Accounting and Financial Reporting Office was contacted to request SAF account training and to be added to the bank's signature card on December 7, 2021, two weeks following the effective date of her appointment. The Accounting and Financial Reporting Office replied that they would not be able to conduct such training until the New Year.

As the fiduciary agent for the school, the principal must be listed as an authorized check signer. The principal's financial responsibility is compromised when the information required to make informed financial decisions is not available.

Recommendation: The principal must immediately contact the Assistant Treasurer's Office for assistance with the procedures to remove the former principal from the school's bank card and to be added to the bank account as required by AP 4180.

2022.05 Administration of Vending Machine Contract

The school operates a vending machine that is accessible only to faculty/staff. However, a current contract for the operation of this vending machine could not be located for review.

According to APM Section 6.5 *Contracts*, all schools with vending machines are required to have a signed contract stipulating commissions due the school and frequency with which the commissions are to be remitted. The contract term cannot exceed one year.

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The current principal's and recordkeeping staff's tenure began on 11/22/2021 and 8/2/2021, respectively. The former principal and recordkeeping staff were not available for a more detailed cause for the lack of contracted vending.

Failure to maintain a formal contract on file violates APM policies and constitutes noncompliance with BOE policies and procedures. The school may not have derived the maximum benefits from the operation of the vending machine in the absence of a vending machine contract.

Recommendation: Recordkeeping staff has contacted the vendor to request a copy of the contract. The principal should take immediate steps to have a current vending contract executed for the 2022 school year if the existing contract cannot be located. The contract must include terms listed in the APM regarding administration of vending machine contracts. Purchasing and Supply Services should be contacted in the absence of a signed vending machine contract.

2022.06 Fundraiser Forms/Reports Not Completed

The school held 2 school-wide spring fundraisers during the audit period. However, annual reports summarizing the school's fundraising activities were not prepared as required.

The APM Section 7.2.2 *Fundraisers, Procedures*, requires the completion of annual reports that summarizes fundraising activities for all fundraisers held by the school in accordance with Administrative Procedure 5135.2. These documents must be maintained on file for public and auditor review upon request.

The current principal and recordkeeping staff joined the school on 11/22/2021 and 8/2/2021, respectively. The former principal and recordkeeping staff were not available to provide a more detailed cause for the missing fundraiser forms.

It is difficult to determine whether the fundraisers conducted by the school yielded financial benefit or loss. Financial records are not complete and information may not be available to make informed decisions on continuing fundraising activities in the future.

Recommendation: The principal must establish procedures to ensure completion of the relevant fundraiser forms. Specifically, the principal or designee should complete annual reports to summarize all fundraising activities and ensure that those reports are properly maintained. These reports must be maintained on file for public and auditor review.

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2022.07 Unsecured Deposit Safe

The school has a safe located in the recordkeeping staff's office for the storage and collection (via drop-box) of funds. The safe is not bolted to the floor and is not accessible to other staff.

According to APM Section 4.5.2.2 (2) *Guidelines for Bank Deposits*, money kept on-hand at the school awaiting deposit must be kept in a locked fireproof safe that is only accessible to the principal and bookkeeper. The safe should be bolted to the floor and in a location accessible to staff which will facilitate submitting funds, even if the bookkeeper is unavailable.

The current principal and recordkeeping staff's tenure at the school began on 11/22/2021 and 8/2/2021, respectively. The former principal and recordkeeping staff were not available to provide a more detailed explanation for the unsecured drop safe.

Internal controls are compromised when the school's safe is not accessible to the staff members and may result in staff members holding funds which is prohibited by the APM.

Recommendation: The principal should contact Building Services to request that the safe be bolted to the floor in a location that is accessible to all staff.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for James E. Duckworth Regional School was issued for the period ended June 30, 2016. The principal and recordkeeping staff were not on staff during that audit. The current principal and recordkeeping staff tenure at the school began on 11/22/2021 and 8/2/2021, respectively. There were **5** findings noted as a result of the previous audit, summarized below.

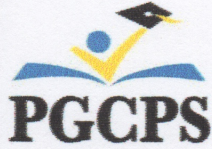
- **Untimely Deposits** – Condition was not noted during this audit.
- **Mismanagement of Disbursements** – Condition was not noted during this audit
- **Year-End Monetary Transmittal Forms Procedures Not Followed** – Condition still exists. See Finding **2022.03** regarding *Records Management*.
- **Expired Contract for Vending Machines** – Condition still exists. See Finding **2022.05** regarding *Administration of Vending Machine Contract*.

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- **Inappropriate Principal-Sponsored Activity Fund Account Transfers** – Condition still exists. See **Finding 2022.01** regarding *Principal Sponsored Activities Fund Account Deficits*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of James E. Duckworth Regional School for their cooperation and assistance extended during the audit.




JAMES E. DUCKWORTH SCHOOL

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MEMORANDUM

To: Internal Audit Office

Janice Briscoe, Ed. D., Instructional Director

From: LaChonda Ellerby, Ed. D., Principal James E. Duckworth Regional School 

Re: *Student Activity Funds Financial Audit as of October 31, 2021*

Please find the requested action plan that supports the Student Activity Funds Audit as of October 31, 2021 for James E. Duckworth Regional School attached to this email. All requested parties have been copied on this correspondence.

C.c. Danyelle Washington, Business Analyst,
Deborah Smalls, Business Operations Technician,
Joeday Newsom, Esq., Ethics Compliance Office

Prince George's County Public Schools
Internal Audit Department
School/Office: James E. Duckworth Regional
Response Date: March 10, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01:</u> <u>Principal</u> <u>Sponsored</u> <u>Activities</u> <u>Account Deficits</u>	The principal must review School Funds Expenditure Forms to ensure that the <i>available funds</i> field is completed to inform the decision for approving expenditures. The recordkeeping staff must be held accountable for ensuring that SFEFs are entirely completed and that transfers are appropriately performed to assist in resolving the deficits. Spending from these PSA fund accounts must be discontinued until the deficits are resolved.	Concur	The principal and the record keeping staff will meet on a weekly basis to review principal sponsored activities and account deficits to ensure the information is accurately documented.	2/14/2022	Implemented as of 2/14/2022
2.	<u>2022.02</u> <u>Delinquent</u> <u>Monthly</u> <u>Reconciliations</u>	The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the bank statement and	Concur	<ul style="list-style-type: none"> ● The principal and record keeping staff will meet on a weekly basis to review and ensure the information is accurately documented. ● The principal and record keeping staff will meet for a 2nd review prior to the 	2/14/2022	Implemented as of 2/14/2022 Implemented as of 3/2/2022

Principal Signature Dr. J. E. Duckworth

Date 3/10/2022

		review and approval by the 15 th of each month).		15th of the month for final verification review prior to submission.		
3.	<u>2022.03 Records Management</u>	The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of each school year to the principal and/or designee. The principal should conduct a periodic review of financial records to determine proper organization. The recordkeeping staff must be held accountable for compliance.	Concur	A system has been put in place for adequate records management. <ul style="list-style-type: none"> • All financial records will be labeled and filed in a binder labeled as "Financial Records" with current school year • A record review form will be added to the binder for accountability purposes of review and maintenance of the financial documents. The form will consist of name, date, and a comment section • The binder will be kept in a secure location in front office. 	3/2/2022	Implemented as of 3/2/2022
4.	<u>2022.04 Check Signers</u>	The principal must immediately contact the Assistant Treasurer's Office for assistance with the procedures to remove the former principal from the school's bank card and to be added to the bank account as required by AP 4180.	Concur	<ul style="list-style-type: none"> • The principal contacted the Assistant Treasurer's Office via email (Ms. Jones) on 2/4/2022 with all requested signatures on the Business Account Signature Account Card. • A follow up phone call was made on 3/2/2022 for 	2/4/2022 & 3/2/2022	Implemented as of 3/2/2022

Principal Signature *Dr. Debra Ellerby*

Date 3/10/2022

				verification. Ms. Jones confirmed that names have been updated to the account.		
5.	<u>2022.05 Administration of Vending Machine Contract</u>	Recordkeeping staff has contacted the vendor to request a copy of the contract. The principal should take immediate steps to have a current vending contract executed for the 2022 school year if the existing contract cannot be located. The contract must include terms listed in the APM regarding administration of vending machine contracts. Purchasing and Supply Services should be contacted in the absence of a signed vending machine contract.	Concur	The bookkeeper will contact Coco Cola for an updated copy of the contract by 3/10/2022.	3/10/2022	Partially Implemented (process of getting a renewed contract)
6.	<u>2022.06 Fundraiser Forms/Reports Not Completed</u>	The principal must establish procedures to ensure completion of the relevant fundraiser forms. Specifically, the principal or designee should complete annual reports to summarize all fundraising activities and ensure that those reports are properly maintained. These reports must be maintained on file for public and auditor review.	Concur	In the event fundraisers are held for the school or PTO. The following steps have been put in place: <ul style="list-style-type: none"> • A meeting will be convened to discuss the proposed fundraiser. • Once the fundraiser has been agreed upon with vendor, the Principal and 	2/23/2022	Implemented

Principal Signature Dr. Debra Evers

Date 3/10/2022

				record keeper will maintain documentation of any and all monetary funds in James Duckworth's financial binder <ul style="list-style-type: none"> • Funds will be deposited into school account • The required annual report will be completed, filed, and made accessible for public and auditor review. 		
7.	<u>2022.07</u> <u>Unsecured</u> <u>Deposit Safe</u>	The principal should contact Building Services to request that the safe be bolted to the floor in a location that is accessible to all staff.	Concur	Building services were contacted. Building services completed the requested task.	2/23/2022	Implemented as of 2/23/2022

Principal Signature Dr. J. E. Ellertson

Date 3/10/2022