



September 30, 2022

MEMORANDUM

To: **Kristil Fossett**, Ed. D., Instructional Director
Cluster 8

Warren Tweedy, Principal
Andrew Jackson Academy

From: **Michele Winston**, CPA, 
Director Internal Audit

Re: Financial Audit for October 1, 2017 through May 31, 2022

An audit of the financial records of **Andrew Jackson Academy** was conducted for the period October 1, 2017 through May 31, 2022. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As the principal of the school, you will be responsible for preparing an action plan by **October 31, 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. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org and Katrina Greene, School Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enc.

cc:

Juanita Miller, Ed. D., Chairman, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
David Curry, Ed. D., Associate Superintendent, Area 2
Michael Herbstman, Chief Financial Officer
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Andrew Jackson Academy for the period October 1, 2017 through May 31, 2022. Andrew Jackson'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:

- *Mismanagement of Funds Received*
- *Inadequate Approval of Disbursements*
- *Monthly Bank Reconciliations*
- *Inadequate Approval of Transfers*
- *Administration of Monetary Transmittal Form Log*
- *Administration of Fundraisers*

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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended May 31, 2022.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of school activity funds (SAF) for Andrew Jackson Academy for the period October 1, 2017 to May 31, 2022. The audit was a part of the FY2022 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.

The audit report includes **6** findings that did not occur under the leadership of the current principal. Since the previous audit for the period ended September 30, 2017, the school has undergone **4** principal changes. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, 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 review of selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period October 1, 2017 to May 31, 2022. Also, selected 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 findings and recommendations:

2023.01 Mismanagement of Funds Received

The following was noted pertaining to mismanagement of collections:

- **Delinquent Deposits** – There were **2** instances where funds were delinquently deposited. The delinquency was 8 and 135 days.
- **Monetary Transmittal Form Records** – End of Year MTF remittance (Pink and Yellow) could not be located in **14** instances (FY 2021 - **3** and FY 2020 – **11**).

The APM states the following regarding these conditions:

- Section 4.5.2 *Cash Receipts, #2. Guidelines* for Bank Deposits requires bookkeepers to make deposits of all funds received at least every other day. It is important that schools establish internal controls to ensure frequent deposits occur.
- Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow remittance copies of their MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator. The bookkeeper will print the *SFO Receiptee History Report* and submit it to a designated administrator. This alerts the administrator which MTF envelope packages to expect.

Reportedly, the principal position was vacant and the recordkeeping staff had competing duties which resulted in oversight in making deposits timely. The missing end of year MTF envelopes occurred due to administration changes.

When BOE policies and procedures are not followed, it puts the school's assets at risk of fraud, waste and abuse. When deposits are not made timely, funds are not promptly available for the intended use. Evidence for substantiating that funds remitted and deposited is removed when financial records are unavailable for review.

Recommendation: The principal and recordkeeping staff should create internal controls to ensure all deposits are processed at least every other day as required. In addition, the principal should designate an administrator to collect the end of the year MTF envelopes as required. The record retention guidelines must be followed to ensure proper custody of end of year MTF envelopes.

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2023.02 Inadequate Approval of Disbursements

There were **7** instances where the staff member failed to obtain pre-approval of expenditures prior to making purchases. The preapproval line on the School Funds Expenditure Form was not completed.

The APM Section 4.5.3 *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be fully completed and signed by the principal.

According to the recordkeeping staff, the lack of approval were due to several reasons. The school changed principals 4 times since the last audit. As such, a principal often was not available to approve SFEFs. There were occasions when a principal was on staff and staff members received verbal approval for expenditures. Also, some staff members purchased items and submitted the SFEF for reimbursement afterwards instead of seeking prior approval.

When SFEFs are not completed and approved as required it puts the school at risk of unapproved expenditures and ultimately insolvency. Also, there is the risk for fraud, waste, and abuse of the school's resources.

Recommendation: The principal and recordkeeping staff should emphasize to staff members the need for adhering to the internal controls for processing disbursements with emphasis on the need for obtaining pre-approval of expenditures. Staff members must be held accountable for complying with the disbursement approval requirements.

2023.03 Monthly Bank Reconciliations

There were **5** instances where monthly bank reconciliations were not completed by the 15th of the subsequent period. There were **2** additional instances where monthly bank reconciliations were not reviewed by the principal. The delinquency ranged from 6 to 90 days.

The APM, Section 5.1.2 *Procedures: Monthly Reconciliations and Financial Reporting* states that the bank statements should be provided to the bookkeeper within 7 days after receiving the statement from the bank and the reconciliation process should be completed by the 15th of each month. The completed reconciliation should be forwarded to the principal every month for review and approval.

Reportedly, monthly bank reconciliations were not performed as required because of mailing delays. Also, the recordkeeping staff and the principal did not follow the Board of Education's policies and procedures for timely preparation and review of financial reports.

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Failure to complete monthly reconciliations causes the school to miss discrepancy errors that may occur from month to month. Missed bank reconciliations would place the school at risk of not knowing if the discrepancies are due to timing, rather than error or fraud.

Recommendation: The principal should pursue online banking access to ensure that bank statements are received timely despite mailing delays. Management oversight to ensure timely bank reconciliations must be provided by the principal. The principal must ensure that the requirement for timely review of bank reconciliations is followed.

2023.04 Inadequate Approval of Fund Transfers

There were **29** instances noted where the principal's approval was not appended to Fund Transfer Journal Entry Proof Sheets to document evidence of approval of the restricted funds transferred.

The APM Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states, "Transfers between restricted accounts are only authorized if reviewed and approved by the principal."

Reportedly, the recordkeeping staff was not familiar with the transfer requirements as outlined in the APM. As a result, funds were transferred to clear deficits as needed and to transfer fundraiser percentages without the principal's prior approval.

Funds transferred from restricted fund accounts without the principal approval can lead to misuse of school funds. In addition, the school can be vulnerable to unreliable financial records due to unapproved fund transfers.

Recommendation: The principal and recordkeeping staff should ensure that all transfers are approved by the principal and the Fund Transfer Journal Entry Proof Sheet should be retained on file as evidence of compliance. The recordkeeping staff must review the requirement for transferring restricted funds as outlined in the APM.

2023.05 Administration of the Monetary Transmittal Form Log

The recordkeeping staff did not maintain a MTF log for the audit period as required.

The APM states that a MTF log is required to be maintained by the bookkeeper to include a numerical list of the MTFs, the name of individuals and dates the forms were issued, the date returned to the Bookkeeper, and the total amount of the MTF.

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The APM further states “Each school is issued a unique, numerically sequenced packages of MTFs by Internal Audit, as needed. The bookkeeper is responsible for accounting for all forms issued to the school.”

Reportedly, because the school was under construction, and the MTF log was one of the various files that could not be found.

When the recordkeeping staff does not track MTFs issued to and returned by staff it compromises the audit trail for collection of funds. In addition, the recordkeeping staff will have difficulty monitoring SAF collected and remitted.

Recommendation: The recordkeeping staff must establish a records management process that would ensure proper custody of financial records, including the MTF log.

2023.06 Administration of Fundraisers

The school held 4 school-wide fundraisers during the audit period (3 Bookfairs and 1 Spring fundraiser). The required annual report that summarizes the school’s fundraising activities for the school year was not prepared.

The APM Section 7.2.2 *Procedures*, provides the following guidelines for school-wide fundraisers. The principal is required to prepare an annual report that summarizes the results of fundraising activities for each school year. These reports must be maintained on file for public and auditor review upon request.

According to the recordkeeping staff, the previous principal misplaced the annual fundraiser reports. The school did not follow proper protocols for the retention of fundraiser forms as set forth by the Board of Education.

It is difficult to determine whether the fundraisers conducted by the school yielded financial benefit or loss. Financial records are not complete and information is not available for informed decisions to be made relative to the continuation of fundraising activities in the future.

Recommendation: The principal should become familiar with the requirements for administering school-wide fundraisers as outlined in the APM. The principal should prepare an annual report summarizing all fundraising activities concluded during the year. The annual report should be properly filed and made available for parents and other interested members of the community for review.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Andrew Jackson Academy was issued for the period ended September 30, 2017. During that period, the recordkeeping staff was in the current position however, the current principal's tenure began in January 2022. The previous audit report included **8** reportable conditions, of which **3** are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Mismanagement of Funds Received** – See **Finding 2023.01** regarding *Mismanagement of Funds Received*.
- **Excessive Spending in PSA Fund Accounts** – Controls appear to be working
- **Yearbook Refunds** – Controls appear to be working
- **Depository Safe Not on Premises** – Controls appear to be working
- **Unapproved Voided Check Proof Sheet** – Controls appear to be working
- **Inadequate Inter-Fund Transfers** – See **Finding 2023.04** regarding *Inadequate Approval of Fund Transfers*.
- **Fundraiser Forms Not Completed** – See **Finding 2023.06** regarding *Administration of Fundraiser Forms*.
- **Improvement needed in Management Oversight** – Controls appear to be working

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Andrew Jackson Academy for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Andrew Jackson Academy
Response Due Date October 31, 2022**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01 Mismanagement of Funds Received</u>	The principal and recordkeeping staff should create internal controls to ensure all deposits are processed at least every other day as required. In addition, the principal should designate an administrator to collect the end of the year MTF envelopes as required. The record retention guidelines must be followed to ensure proper custody of end of year MTF envelopes.	Concur	Principal will designate Tuesday and Thursday as deposit days for AJA. During the weekly Principal Recordkeeping staff meeting monetary collections, transactions, deposits will be discussed and reviewed. The Principal designee/Assistant Principal will be informed of their responsibility to collect the end of the year MTF envelopes as required by the Accounting Procedures Manual for School Activity Funds.	10.31.22	Implemented
2.	<u>2023.02 Inadequate Approval of Disbursements</u>	The principal and recordkeeping staff should emphasize to staff members the need for adhering to the internal controls for processing disbursements with emphasis on the need for obtaining pre-approval of expenditures. Staff	Concur	Principal and Recordkeeping staff will quarterly emphasize during Pre-service week and staff meetings the need to adhere to the internal controls for processing disbursements with emphasis on	8.19.22	Implemented

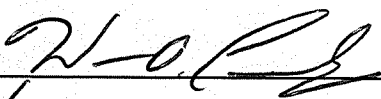
Principal Signature



Date

10/31/22

		members must be held accountable for complying with the disbursement approval requirements.		the need for obtaining pre-approval of expenditures.		
3.	<u>2023.03 Monthly Bank Reconciliations</u>	The principal should pursue online banking access to ensure that bank statements are received timely despite mailing delays. Management oversight to ensure timely bank reconciliations must be provided by the principal. The principal must ensure that the requirement for timely review of bank reconciliations is followed.	Concur	Principal obtained access to on-line as of August 19, 2022. Principal reviews on-line statements as they become readily available and informs Recordkeeping staff that it has been received and reviewed.	8.19.22	Implemented
4.	<u>2023.04 Inadequate Approval of Fund Transfers</u>	The principal and recordkeeping staff should ensure that all transfers are approved by the principal and the Fund Transfer Journal Entry Proof Sheet should be retained on file as evidence of compliance. The recordkeeping staff must review the requirement for transferring restricted funds as outlined in the APM.		Principal and Recordkeeping staff will review and discuss all approved transfers including the monitoring of the completion of the Fund Transfer Journal Entry Proof Sheet monthly. Principal and Recordkeeping staff will review requirements for transferring restricted funds quarterly to ensure we are meeting the policies outlined in the Accounting Procedures Manual for School Activity Funds.	10.31.22	Implemented

Principal Signature 

Date 10/31/22

5.	<u>2023.05</u> <u>Administration of the Monetary Transmittal Form Log</u>	The recordkeeping staff must establish a records management process that would ensure proper custody of financial records, including the MTF log.	Concur	Principal and Recordkeeping staff will review the Accounting Procedures Manual for School Activity Funds guide to review current practices and enhance the record management process at Andrew Jackson Academy.	10.31.22	Implemented Partially
6.	<u>2023.06</u> <u>Administration of Fundraisers</u>	The principal should become familiar with the requirements for administering school-wide fundraisers as outlined in the APM. The principal should prepare an annual report summarizing all fundraising activities concluded during the year. The annual report should be properly filed and made available for parents and other interested members of the community for review.	Concur	Principal will review the requirements for administering school-wide fundraisers as outlined in the APM. Principal will also review the procedure for preparing an annual report summarizing all fundraising activities concluded during the year. Principal will have the annual report summarizing all fundraising activity by the last day of the fiscal year.	10.31.22	Not Implemented

Principal Signature W. A. R. G.
Date 10/31/22