

November 9, 2022

MEMORANDUM

To: Danielle Moore, Instructional Director
Cluster 7

Kenneth Nance, Principal
Buck Lodge Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period July 1, 2019 through July 31, 2022

An audit of the financial records of **Buck Lodge Middle School** was completed for the period July 1, 2019 through July 31, 2022. The audit indicates 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 **December 7, 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
Joeday Newsom, Esq., Director, Board of Education Staff Office
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**Buck Lodge Middle School
School Activity Funds**

For the Period Ended July 31, 2022

Buck Lodge Middle School
School Activity Funds
Internal Audit Report
For the period ended July 31, 2022

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Buck Lodge Middle School for the period July 1, 2019 through July 31, 2022. Buck Lodge Middle School's Principal is responsible for the administration of its 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 Accounting Records, and*
- *Excessive Spending in Principal Sponsored Activities 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended July 31, 2022.



Michele Winston, CPA
Director, Internal Audit

Buck Lodge Middle School
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SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Buck Lodge Middle School for the period July 1, 2019 through July 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 2 findings which occurred under the leadership of the current principal and resident 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, 2019 through July 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. Certain financial records requested for review were not made available. ***Refer to finding 2023.01, "Mismanagement of Accounting Records" in the audit report.***

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 Accounting Records

The school's financial records were not managed as required by the APM. Specifically the following documents were not available for review.

- **2** School Funds Expenditure Forms and supporting documentation for checks numbers 4695 and 4696.
- **7** Voided checks – physical checks were not available for review for check numbers 4497, 4511, 4530, 4563, 4578, 4617 and 4643.
- **10** Cancelled checks were not available for review for check numbers 4588, 4585, 4691, 4706, 4711, 4656, 4661,4675, 4682 & 4717
- **10** Sponsored Fundraising Documents – There were 10 instances where approved sponsored fundraising events did not include evidence to support that Fundraiser Completion Reports were prepared as required.

According to the APM, *Record Retention* all SAF records must be retained for a period of 7 years and or until audited including the current fiscal year. Moreover, completion reports are required for sponsored fundraisers.

According to the recordkeeping staff, prior to FY 2022 the school had a different recordkeeping staff, as such, explanation for missing documentation from that period could not be provided. Reportedly, cancelled checks missing from FY22 were possibly misfiled. The recordkeeping staff was not aware that Fundraiser Completion Reports were required to be prepared at the end of fundraising events.

Inadequate records management system impacts the retrieval and accessibility to requested documentation.

Recommendation: The following should be implemented to ensure that financial records are properly administered and financial transactions are properly recorded:

1. The principal and recordkeeping staff should establish a checklist to ensure financial documents are accounted for in an organized manner and are easily retrievable.

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2. The principal should contact the Accounting and Financial Reporting Office to request for training on aspects of the financial process for which guidance is needed.

2023.02: Excessive Spending in Principal Sponsored Activities Fund Accounts

The following Principal Sponsored Activities fund accounts had deficits as of July 31, 2022 which aggregated to approximately (\$2,679.30).

Account number	Account Name	Amount
450.20	PSA Food	(\$ 1,396.49)
450.30	PSA Staff Appreciation	(\$ 1,282.81)
	Total Negative balances	(\$2,679.30)

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 guidelines for PSA for Staff, states that discretionary expenditures incurred by the principal on behalf of the school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances staff members' job performance. If the PSA account has a deficit, faculty spending must be ceased until the existing PSA deficit is resolved. Expenditures for authorized Principal-sponsored activities are restricted to the funds available from the following sources:

- 100% of Vending commission from machines located in the staff lounge
- 25% of student vending commission
- 15% of school-wide fundraiser profits, including picture commissions
- Up to 25% of senior class residual funds.

The principal could not provide an explanation for the deficits. Reportedly, he inherited the PSA deficits upon joining the school 8 years ago.

The risk of insolvency increases when restricted funds are overspent or are not properly managed.

Recommendation: The school administration should continue to seek opportunities to clear the PSA deficits. For example, the recordkeeping staff must continue to transfer fundraiser profits and vending commission to offset the deficits in the PSA fund accounts. Further, all expenditures from these accounts must cease until the deficits are eliminated.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Buck Lodge Middle School was issued for the period ended June 30, 2019. During that period, the principal was not in the current position. A total of **16** findings were noted in that audit and **3** have been repeated in part or fully in this audit as indicated below.

- **Missing Athletic Funds** – Condition was not noted during this audit.
- **Missing Chorus Funds** – Condition was not noted during this audit.
- **Missing Coin Deposits** – Condition was not noted during this audit.
- **Mismanagement of Funds Received** - Condition is mostly resolved.
- **Mismanagement of Disbursements** – Condition is partially resolved. Refer to **Finding 2023.01** regarding Mismanagement of Accounting Records.
- **Untimely Financial Reporting** – Condition was not noted during this audit.
- **Insolvent Principal-Sponsored Activities Account** – Condition still noted during this audit. Refer to **Finding 2023.02** regarding *Insolvent Principal-Sponsored Activities Fund Account*.
- **Year-End Monetary Transmittal Form Procedures Not Followed** – Condition was not noted during this audit.
- **Fundraiser Forms Not Completed** – Condition still noted during this audit. Refer to **Finding 2023.01** regarding Mismanagement of Accounting Records.
- **Mismanagement of Sales Tax** – Condition was not noted during this audit.
- **Club Budgets Not Developed** – Condition was not noted during this audit.
- **Grants Not Properly Reported** – Condition was not noted during this audit.
- **Voided Checks Not Properly Defaced** – Condition was not noted during this audit.
- **Mismanagement of Membership Card** - Condition was not noted during this audit.
- **Failure to Maintain a Current Vending Contract** – Condition was not noted during this audit.

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- **Management Oversight** - Condition was not noted during this audit.

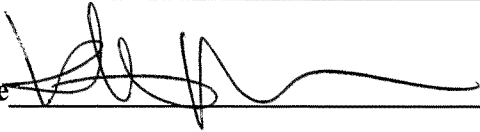
ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Buck Lodge MS
Response Due Date December 07, 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 Accounting Records</u>	<p>The following should be implemented to ensure that financial records are properly administered and financial transactions are properly recorded:</p> <p>1. The principal and recordkeeping staff should establish a checklist to ensure financial documents are accounted for in an organized manner and are easily retrievable.</p> <p>2. The principal should contact the Accounting and Financial Reporting Office to request for training on aspects of the financial process for which guidance is needed.</p>	Concur	<p>The principal and recordkeeping staff will create a protocol and checklist for financial documentation so that documents are easily retrievable. The principal and recordkeeping staff will meet on a bi-monthly basis moving forward.</p> <p>The principal will reach out to the Accounting and Financial Reporting Office to request further training.</p>	1/9/23	Implemented Partially
2.	<u>2023.02: Excessive Spending in Principal Sponsored Activities Fund Accounts</u>	<p>The school administration should continue to seek opportunities to clear the PSA deficits. For example, the recordkeeping staff must continue to transfer fundraiser profits and vending commission to offset the deficits in the PSA fund accounts. Further, all expenditures from these accounts must cease until the deficits are eliminated.</p>	Partially Concur	<p>This account was in a deficit since I have been the principal here and I was not aware of how the PSA account works. Expenditures from these accounts have stopped and we will work to find different fundraisers to eliminate the deficits.</p>	1/9/23	Implemented partially

Principal Signature _____



Date _____

1-9-23