



December 12, 2022

MEMORANDUM

To: Danielle Moore, Ed. D., Instructional Director
Cluster 7

Marcellus Clement, Principal
Greenbelt Middle School

From: Michele Winston, CPA, Director,
Internal Audit

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

An audit was completed on the financial records of **Greenbelt Middle School** for the period October 1, 2017 through July 31, 2022. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds (SAF) and Board of Education (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **January 12, 2023** 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 Fund 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
Mychael Dickerson, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Esq., Director, Financial Services
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1
Helen Coley, Ed. D., Chief, School Support and Leadership
Joeday Newsom, Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, Student Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit

Internal Audit Report

**Greenbelt Middle School
School Activity Funds**

For the Period Ended July 31, 2022

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Greenbelt Middle School for the period October 1, 2017 through July 31, 2022. Greenbelt 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 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 finding:

- *Mismanagement of Disbursements*
- *Mismanagement of Funds Received*
- *Record Retention*
- *Delinquent Monthly Bank Reconciliations*
- *Excessive Spending in Restricted Accounts; and*
- *Unapproved Vendor for Vending Operations*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual (APM) for SAF.

In our opinion, except for the deviations 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 stated period.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

Internal Audit completed an audit of the School Activity Funds (SAF) for Greenbelt Middle School for the period October 1, 2017 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 (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes 6 findings that occurred under the leadership of the former and current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, details of the 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period October 1, 2017 through July 31, 2022. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned 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.

2023.01: Mismanagement of Disbursements

Cash disbursements reviewed during the audit were not always processed in accordance with BOE policies and procedures. The following exceptions were noted:

- A. ***Delinquent Vendor Payments*** – There were **3** instances where expenditures were not remitted to the vendor in a timely manner. The delinquency of the expenditures was 27 days in one instance and over 200 days for the other two instances.
- B. ***Inadequate Approval*** – There were **6** instances where the School Fund Expenditure Form (SFEF) was not adequately approved by the principal and the recordkeeping staff. The SFEF was approved by the Principal after the purchase was made in 4 of the 6 instances. The recordkeeping staff did not sign the SFEF in 3 of the 6 instances to ensure funds were available in the relevant accounts.
- C. ***Inadequate Documentation*** – There was **1** instance where the supporting documentation did not match the amount recorded in the accounting system. The amount posted (**\$119.64**) was twice the amount of store receipts (**\$59.82**) attached which indicates a staff member was overpaid by **\$59.82**. Also, there was no signature for the bookkeeper to ensure available funds.
- D. ***Voided Checks*** – There were **4** instances where checks were properly voided, but not entered into School Funds Online (SFO) as required. Also, in one of the four instances, the check was not properly voided by removal of the signature line.

The APM provides the following guidelines pertaining to cash disbursements:

- A. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- B. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal. If a principal's extended absence is anticipated, the pre-approval function may be delegated to a vice-principal (or alternate administrator). The form includes space for the bookkeeper to indicate funds available in the relevant account prior to the Principal providing pre-approval.

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- C. All checks must have itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check.
- D. All voided checks must be entered in SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached to approved SFEF’s or Void Check Proof Sheets.

Due to multiple purchases by school staff on various occasions, store receipts were held by staff requests for reimbursement were delayed. A thorough review of supporting documentation was not always conducted to ensure SFEFs were properly completed, signed by the recordkeeping staff, and approved by the principal prior to the purchases for timely remittance. Due to an oversight, the recordkeeping staff forgot to remove the signature line on one voided check. A lack of attention to detail resulted in voided checks not being input into SFO as required.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. SFEFs without the principal’s authorization can lead to insolvent accounts when the Principal is unaware of the funds available.

Recommendation: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal and recordkeeping staff must ensure that internal controls are consistently adhered to, and vendor payments are issued timely, within 30 days of receipt or by the invoice due date.
- B. The Principal must ensure staff members are reminded that pre-approval is required prior to the purchase of products or services and are held accountable for compliance. The principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures.
- C. The principal and recordkeeping staff must ensure that all SFEF’s are properly completed, adequate supporting documentation attached, and remitted with proper signatures prior to issuance of payments.
- D. The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be retained, entered in SFO, and have “VOID” written across the face of the check. The signature line must be removed during the voiding process.

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2023.02 Mismanagement of Funds Received

Collections were not always processed in accordance with BOE policies and procedures. The following exceptions were noted:

- A. ***Delinquent Deposits*** – There were **2** instances where deposits were not made in a timely manner. The range of delinquency was 7 and 26 days. Also, changes to correct an amount on one Monetary Transmittal Form was not properly initialed in accordance with the instructions.
- B. ***Monetary Transmittal Form (MTF) Completion*** – There were **3** instances where the MTF remittances were not signed by the recordkeeping staff and the preparer of the MTF. There were no signatures on the MTF in **1** instance. In the other **2** instances, only the recordkeeping staff signed the MTF.
- C. ***Year-end MTF Envelope Submission*** – There were **3** instances MTF pink and yellow remittance were not returned and located in sealed envelopes as required. For FY 2022, the pink and yellow remittance copies were still attached to the white (Bookkeeper) copy and not returned to school staff as required.
- D. ***Support for Transfer of Funds Received*** – There were **5** instances where the Fund Transfer Journal Entry (JE) Proof Sheets were not signed to determine whether transfers were made with the requirements of the APM.

The APM provides the following guidelines:

- A. Bookkeepers 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. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. MTFs should be supported with student remittance forms, fundraiser forms, or other documentation that shows the source and purpose of funds. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs. Changes and alterations made to MTFs require initials.
- C. Each staff member who collects SAFs is responsible for maintaining an envelope containing both pink and yellow copies of MTF remittances generated during the

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year. The staff member is required to submit the signed, sealed envelope to the designated administrator prior to the year-end check out. The envelopes should remain sealed until requested by Internal Audit.

- D. Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Evidence of approval is documented on the Fund Transfer Journal Entry Proof Sheet.

Due to competing recordkeeping duties, the recordkeeping staff did not always deposit funds at least every other day as required which attributed to the late deposits. MTF remittances were allowed to be submitted without thorough review and attention to detail by the recordkeeping staff. BOE policies and procedures as established in the APM regarding year-end MTF submissions were not consistently followed. The recordkeeping staff lacked consistency in obtaining approval by the Principal on some Fund Transfer JE Proof Sheets.

Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to thoroughly review MTF remittances, obtain proper approval, and ensure all SAFs collected are subsequently deposited impacts the audit trail and increases financial risk to the school.

Recommendation: The following corrective actions should be implemented:

- A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited daily especially funds in excess of **\$250.00**. The recordkeeping staff should be allowed designated time for making bank deposits. Teachers must be reminded that funds collected cannot be held overnight. The Principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- B. Staff must be reminded of their responsibility relative to MTF envelope submission during the year-end checkout process. Each employee must be held accountable for returning MTF envelopes, including all MTF remittance copies, as part of the year-end checkout process.
- C. The principal must establish internal controls to ensure that each fund transfer is supported by a completed Fund Transfer JE Proof Sheet that is reviewed and evidenced by signatures.

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2023.03 Record Retention

Internal Audit could not locate supporting documentation for **24** voided checks and **11** fund transfers during the audit.

According to Section 6.12 of 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. 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 recordkeeping staff did not properly maintain an adequate filing system. According to the recordkeeping staff, the lack of storage space for an adequate filing system resulted in misplacement of some voided checks and fund transfer JE Proof Sheets.

Failure to make financial records available for audit constitutes non-compliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal must ensure proper custody of all records relating to School Activity Funds until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents will be filed properly for future review.

2023.04 Delinquent Monthly Bank Reconciliations

Monthly bank reconciliations and financial reporting by the 15th of each month was not always performed timely. There were **2** instances where the school's bank account was **not** reconciled timely. The range of delinquency was seven 7 and 11 days.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the Principal forwards the documents to the bookkeeper for reconciliation. The bookkeeper should complete the reconciliation within 7 days after receiving the statement from the bank. Typically, this process is completed by the 15th of each month. The completed reconciliation should be returned to the principal every month for review and approval. After review and approval, all reports and related documentation should be organized and maintained in three-ring binders identified by fiscal year.

The BOE policies and procedures as established in the APM were not consistently followed regarding preparation of monthly bank reconciliations. Per the recordkeeping staff, delays in postal delivery of the bank statements impacts the timeliness of monthly report preparation.

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Financial reports were not readily available for review by the principal to inform financial decisions.

Recommendation: The principal must ensure that established procedures are consistently followed during all circumstances to include delays in postal delivery which allows continuous preparation of monthly reconciliations and financial reporting to take place by the 15th of each month. The principal and recordkeeping staff should consider the option of obtaining online access to bank statements.

2023.05 Excessive Spending in Restricted Accounts

The School Activity Fund has **12** restricted fund accounts with deficits totaling **(\$4,270.14)** as of July 31, 2022. The following is a listing of accounts with deficits:

- 308.00 Employee Sunshine Fund account has a deficit of **(\$177.73)**
- 314.00 Media Center account has a deficit of **(\$79.00)**
- 316.00 National Honor Society account has a deficit of **(\$323.93)**
- 327.00 Commitment Team account has a deficit of **(\$599.50)**
- 333.00 Sport Group account has a deficit of **(\$1,545.95)**
- 415.15 ESOL Donation account has a deficit of **(\$573.61)**
- 415.20 Feed a Family account has a deficit of **(\$490.00)**
- 415.35 TAG – Univ. of MD Donation account has a deficit of **(\$28.08)**
- 427.00 T-Shirts account has a deficit of **(\$133.38)**
- 430.25 Redskins Loads of Love account has a deficit of **(\$114.95)**
- 445.00 Parent Engagement account has a deficit of **(\$99.27)**
- 506.00 CRI account has a deficit of **(\$104.74)**

Expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for School Activity Funds, the Principal should ensure all accounts are solvent at all times.

BOE policies and procedures as established in the APM regarding the use of restricted funds were not consistently followed. Per the recordkeeping staff, insolvency with restricted accounts has been an ongoing issue based on her knowledge and prior recordkeeping staff. Resolution of the insolvent accounts through communication with the Accounting and Financial Reporting Office for instruction is continuous.

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Students are not receiving the maximum possible benefit of the resources that should have been available to them.

Recommendation: We recommend that the principal and recordkeeping staff evaluate the potential expenditures with the Accounting and Financial Reporting Office to determine available resources for resolution of the insolvent accounts and care be exercised to ensure the resources are utilized for the maximum benefit of the students. Spending in these accounts must cease until the account deficits are resolved.

2023.06 Unapproved Vendor for Vending Operations

The school's current vendor for vending machine operations, CRH Catering, Co. Inc., is **not** an approved vendor listed in School Funds Online (SFO).

According to the Accounting Procedures Manual (APM), Section 9.8, *Vending Machine Sales*, all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency these commissions are remitted. The contract term cannot exceed one year. The APM also states in Section 4.5.3.1, *Procedures*, that all checks must be written to an Approved/Active vendor in *School Funds Online*.

The recordkeeping staff stated that based on her knowledge the current vendor, CRH Catering Co., Inc., is affiliated with Bay Area Vending which was the school's prior vendor. As a result, the recordkeeping staff assumed CRH Catering Co., Inc. was also an approved vendor in SFO. However, communication with the Accounting and Financial Reporting office determined that CRH Catering Co., Inc. is not an approved vendor, and Bay Area Vending is currently inactive in SFO and has been inactive since August 21, 2019.

The school is not in compliance with BOE policies and procedures for vending machine operations and contracting with only PGCPS approved vendors.

Recommendation: The principal must establish procedures to ensure that an approved PGCPS vendor listed in SFO is retained and the annual contract maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company as a replacement for the unapproved vendor.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Greenbelt Middle School was issued for the period ended September 30, 2017. During that period, the current Principal was not assigned to the school, but the recordkeeping staff was in the position. The previous audit report included **9** reportable conditions of which **6** are repeat findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** – Condition still exists. See Finding 2023.02, regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See Finding 2023.01, regarding *Mismanagement of Disbursements*.
- **Grants Not Properly Reported** – Controls appear to be working.
- **Restricted Fund Account Deficits** – Condition still exists. See Finding 2023.05, regarding *Excessive Spending in Restricted Accounts*.
- **Administration of Voided Checks** – Condition still exists. See Finding 2023.01, regarding *Mismanagement of Disbursements*.
- **Inadequate Approval of Transfers** – Condition still exists. See Finding 2023.02, regarding *Mismanagement of Funds Received*.
- **Fundraiser Forms Not Completed** – Controls appear to be working.
- **Budgeting for Clubs and Organizations** – Controls appear to be working.
- **Administration of Vending Contract** – Condition still exists for an unapproved vendor. See Finding 2023.06, regarding *Unapproved Vendor for Vending Operations*.

ACKNOWLEDGEMENT

We would like to thank the Principal and staff of Greenbelt Middle School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Greenbelt MS
Response Due Date January 12, 2023**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2023.01:</u> <u>Mismanagement</u> <u>of Disbursements</u>	<p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The principal and recordkeeping staff must ensure that internal controls are consistently adhered to, and vendor payments are issued timely, within 30 days of receipt or by the invoice due date.</p> <p>B. The Principal must ensure staff members are reminded that pre-approval is required prior to the purchase of products or services and are held accountable for compliance. The principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures.</p> <p>C. The principal and recordkeeping staff must ensure that all SFEF's are properly</p>	concur	<p>A. The Principal will continue to monitor weekly that internal controls are adhered to especially when looking at vendor payments are due so they are completed within 30 days of the invoice date. This will also be reviewed with the year to date financial report.</p> <p>B. The Principal will remind all staff through staff meetings, emails and one on one communication that pre-approval is required for purchase of products and services. Any request not following this function will be denied.</p> <p>C. ALL SFEF's will be completed appropriately on the proper date, signatures and issuance of payments.</p> <p>D. The Principal will meet monthly with the record keeping staff to remind the importance of</p>	January 3rd, 2023	

Principal Signature Marcellus Clement

Date 12/22/22

		<p>completed, adequate supporting documentation attached, and remitted with proper signatures prior to issuance of payments.</p> <p>D. The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be retained, entered in SFO, and have "VOID" written across the face of the check. The signature line must be removed during the voiding process.</p>		<p>administering checks required by the BOE, where all voided checks must be retained and have the proper "VOID" written across the line and entered in SFO.</p>		
2.	<p><u>2023.02</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u></p>	<p>The following corrective actions should be implemented:</p> <p>A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited daily, especially funds in excess of \$250.00. The recordkeeping staff should be allowed designated time for making bank deposits. Teachers must be reminded that funds collected cannot be held overnight. The Principal should perform periodic review of the deposit records to monitor whether deposits are made as required.</p>	concur	<p>A. The Principal will remind the record keeping staff to deposit monies when funds excess over \$250, so funds are not held overnight. In addition, the Principal will monitor the safe to make sure no deposits need to take place.</p> <p>B. The Principal will ensure the MTF process is understood at the beginning of the year and end of the year checkout (for staff) with support of the record keeper. Communication will also be reminded throughout the year.</p> <p>C. The Principal will perform monthly checks to ensure fund transfer is supported on the Fund Transfer JE proof sheet and reviewed by evidenced signatures.</p>	January 3rd, 2023	

Principal Signature Marcellus Clement

Date 12/22/22

		<p>B. Staff must be reminded of their responsibility relative to MTF envelope submission during the year-end checkout process. Each employee must be held accountable for returning MTF envelopes, including all MTF remittance copies, as part of the year-end checkout process.</p> <p>C. The principal must establish internal controls to ensure that each fund transfer is supported by a completed Fund Transfer JE Proof Sheet that is reviewed and evidenced by signatures.</p>				
3.	<u>2023.03 Record Retention</u>	The principal must ensure proper custody of all records relating to School Activity Funds until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents will be filed properly for future review.	concur	The Principal will ensure proper custody of records which includes a financial report binder to help ensure the proper documentation of financial records.	January 3rd, 2023	
4.	<u>2023.04 Delinquent Monthly Bank Reconciliations</u>	The principal must ensure that established procedures are consistently followed during all circumstances to include delays in postal delivery which allows continuous preparation of monthly reconciliations and financial	concur	The Principal will ensure that procedures are followed with bank reconciliations, which may include possible postal delivery delay, to make sure it is completed by the 15th of each month.	January 3rd, 2023	

Principal Signature Marcellus Clement

Date 12/22/22

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Principal Signature _____ **Marcellus Clement** _____

Date _____ **12/22/22** _____