



October 13, 2022

MEMORANDUM

To: Ava Tasker Mitchell, Ph. D., Instructional Director
Cluster 1

Nema Manuel, Principal
James H. Harrison Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for December 1, 2018 through June 30, 2022

An audit of the financial records of **James H. Harrison Elementary School** was completed for the period December 1, 2018 through June 30, 2022. 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 (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 **November 14, 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 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, Esq., Staff Director, Board of Education Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, Student Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Rhonda Carter, Internal Auditor II

Internal Audit Report

**James H. Harrison Elementary School
School Activity Funds**

For the Period Ended June 30, 2022

James H. Harrison Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended June 30, 2022

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For the Period Ended June 30, 2022

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of James H. Harrison Elementary School for the period December 1, 2018 through June 30, 2022. James H. Harrison Elementary 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 findings:

- *Delinquent Payments;*
- *Mismanagement of Funds Received; and*
- *Excessive Spending in Restricted Accounts*

Individually or in the aggregate, the finding 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 period ended June 30, 2022.



Michele Winston, CPA, Director
Internal Audit

James H. Harrison Elementary School
School Activity Funds
Internal Audit Report
For the Period Ended June 30, 2022

SUMMARY

Internal Audit completed an audit of the School Activity Funds (SAF) for James H. Harrison Elementary School for the period December 1, 2018 through June 30, 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 3 findings that occurred under the leadership of the former 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 December 1, 2018 through June 30, 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 School Operating Resource (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 Delinquent Payments

There were **2** instances where reimbursements to staff and a vendor were not processed in a timely manner. The delinquency of the payments was 63 and 60 days, respectively.

The APM provides that invoices and or reimbursements 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.

Due to a misplaced store receipt which was subsequently found, the request for reimbursement for a postage expenditure was delayed. Miscommunication, between the recordkeeping staff and coordinator of the Scholastic Bookfair resulted in invoices received by the coordinator not promptly forwarded to the recordkeeping staff for timely payment to the vendor.

Delinquent payments constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff.

Recommendation:

The principal and recordkeeping staff must ensure that there is consistent adherence to internal controls and vendor payments are issued timely, within 30 days of receipt or by the invoice due date. Staff must be reminded of their responsibility for promptly requesting reimbursements and communication between the recordkeeping staff and fundraising sponsors must be clear to facilitate timely processing of vendor payments.

2023.02 Mismanagement of Funds Received

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

- A. *Delinquent Deposits* – There were **5** instances where deposits were not made with the financial institution in a timely manner. The range of delinquency was 7 to 13 days.

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- B. ***Support for Transfer of Funds Received*** – There were **9** instances where Fund Transfer Journal Entry (JE) Proof Sheets could not be located to provide evidence that transfers were made in accordance with the requirements of the APM.

- C. ***Year-end Monetary Transmittal Form (MTF) Submission*** – There were **7** instances in FY 2021 where both pink and yellow MTF remittances were not maintained in a sealed MTF envelope by the staff who collected the funds. The recordkeeping staff kept all of the 3 MTF remittances (pink, white and yellow) in the noted instances.

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. 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.

- 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 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.

Due to multiple deposits received under \$50.00 for damaged chrome books, the recordkeeping staff did not always deposit funds at least every other day in accordance with the APM requirements causing the late deposits. The lack of a consistent filing system resulted in misplacement of fund transfer JE Proof Sheets which could not be located during the audit. BOE policies and procedures as established in the APM regarding MTF submission during the year-end check out process were not consistently followed by recordkeeping staff.

Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to ensure all SAFs collected are subsequently deposited impacts the audit trail and increases financial risk to the school. Evidence to substantiate that all funds collected were subsequently deposited cannot be independently verified when the recordkeeping staff maintains all copies of the MTF remittances (pink, white and yellow).

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Recommendations: The following corrective actions should be implemented:

- A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required.
- B. The principal must establish internal controls to ensure that each fund transfer is supported by a completed Fund Transfer Journal Entry Proof Sheet that is reviewed and evidenced by signatures. The recordkeeping staff should ensure proper custody and establish an adequate filing system of all records relating to SAFs until they are audited.
- C. 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 processed MTFs in sealed envelopes, as part of the year-end checkout process.

2023.03 Excessive Spending in Restricted Accounts

The School Activity Fund has two (2) restricted fund accounts with deficits totaling **(\$440.81)** as of June 30, 2022. The 310.40 4th Grade account had a deficit of **(\$363.94)** and the 415.20 Multicultural Events account had a deficit of **(\$76.87)**.

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, the account is insolvent. As the fiduciary agent for SAF, the principal is responsible for ensuring that 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. The deficit for the 4th Grade account has existed for several years and the recordkeeping staff could not recall the details of the insolvency. The recordkeeping staff noted that incorrect postings to the Multicultural Events account over the audit period lead to insolvency. Also, communication with the Accounting and Financial Reporting Office relative to resolution of the insolvent accounts have been unsuccessful.

Students are not receiving the maximum possible benefit of the resources that should have been available to them when restricted fund accounts are insolvent.

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Recommendation: The principal and recordkeeping staff should consult with the Accounting and Financial Reporting Office to determine available resources for resolution of the insolvent 4th Grade account. The recordkeeping staff should correct the incorrect journal entries to the Multicultural Events account to eliminate the existing deficit. Spending in these fund accounts must cease until the account deficits are resolved.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for James H. Harrison Elementary School was issued for the period ended November 30, 2018. During that period, the current principal was not assigned to the school; however, the recordkeeping staff was on staff. The former principal transferred to another school during the audit process. The previous audit report included **6** reportable conditions of which **2** are repeated findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Delinquent Deposits** – Condition still exists. See Finding 2023.2, regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See Finding 2023.1, regarding *Delinquent Payments*.
- **Bank Reconciliations Not Completed Timely** – Controls appear to be working.
- **Insolvency Report Not Properly Completed** – Controls appear to be working.
- **Excessive Principal Sponsored Account Transfer** – Controls appear to be working.
- **Fundraiser Forms Not Completed** – Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of James H. Harrison Elementary School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: James H. Harrison ES
Response Due Date November 14, 2022**

	Findings	Recommendations	Concur Non-Concur or Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2023.01 Delinquent Payments</u>	The principal and recordkeeping staff must ensure that there is consistent adherence to internal controls and vendor payments are issued timely, within 30 days of receipt or by the invoice due date. Staff must be reminded of their responsibility for promptly requesting reimbursements and communication between the recordkeeping staff and fundraising sponsors must be clear to facilitate timely processing of vendor payments.	<i>Concur</i>	Ms. Manuel (Principal) and Ms. Young (Bookkeeper) will provide reminders to staff during a staff meeting and will follow up with staff who request reimbursements.	10/1/2022	Implemented
2.	<u>2023.02 Mismanagement of Funds Received</u>	The following corrective actions should be implemented: A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of \$250.00 . The principal should perform	<i>Concur</i>	Ms. Manuel (Principal) will periodically perform a review of deposit records to monitor deposits. Ms. Manuel (Principal) will review fund transfer journal entries and Ms. Young (Bookkeeper) will file records until they are audited.	10/1/2022	Implemented

Principal Signature *Chema Manuel*

Date 11/17/2022

		<p>periodic review of the deposit records to monitor whether deposits are made as required.</p> <p>B. The principal must establish internal controls to ensure that each fund transfer is supported by a completed Fund Transfer Journal Entry Proof Sheet that is reviewed and evidenced by signatures. The recordkeeping staff should ensure proper custody and establish an adequate filing system of all records relating to SAFs until they are audited.</p> <p>C. 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 processed MTFs in sealed envelopes, as part of the year-end checkout process.</p>		<p>MTF envelope submission training will be facilitated by Ms. Manuel (Principal) and each employee will be held accountable for returning MTFs as part of the end of year close out procedures.</p>		
3.	<u>2023.03 Excessive Spending in Restricted Accounts</u>	The principal and recordkeeping staff should consult with the Accounting and Financial Reporting Office to determine available resources for resolution of the insolvent 4 th Grade account. The	<i>Concur</i>	Ms. Manuel and Ms. Young will consult the Accounting Office to find resources for the insolvent 4th grade account.	10/1/2022	Implemented

Principal Signature *Cherna Manuel*

Date *11/17/2022*

		recordkeeping staff should correct the incorrect journal entries to the Multicultural Events account to eliminate the existing deficit. Spending in these fund accounts must cease until the account deficits are resolved.				
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Principal Signature Cherna Manuel
Date 11/17/2022