


August 25, 2022

MEMORANDUM

To: **Kelvin Moore**, Instructional Director
Cluster 9

Courtney King, Principal
James Madison Middle School

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

Re: Financial Audit for July 1, 2017 through April 30, 2022

An audit of the financial records of **James Madison Middle School** was conducted for the period July 1, 2017 through April 30, 2022. 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 **September 26, 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 Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enc.

cc:

Juanita Miller, Ed. D., Chair, 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
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Derrick Martin, Internal Auditor II

Internal Audit Report

James Madison Middle School
School Activity Funds

For the Period Ended April 30, 2022

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

Table of Contents

INTERNAL AUDITOR’S REPORT2
SUMMARY 3
OBJECTIVES 3
SCOPE..... 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS 6
ACKNOWLEDGEMENT 6

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of James Madison Middle School for the period July 1, 2017 through April 30, 2022. James Madison 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:

- *Mismanagement of Disbursements and*
- *Restricted Fund Account Deficits*

Individually or in the aggregate, these findings resulted in 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 April 30, 2022.



Michele Winston, CPA
Director, Internal Audit

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

SUMMARY

An audit of the school activity funds (SAF) of James Madison Middle School was completed for the period July 1, 2017 to April 30, 2022.

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.

Both findings included in this audit report occurred under the leadership of the current principal. 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 (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 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 July 1, 2017 to April 30, 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.

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Mismanagement of Disbursements

The audit revealed the following pertaining to the mismanagement of disbursements:

- **Incomplete School Funds Expenditure Forms** – There were **13** instances where the recordkeeping staff failed to accurately complete the *funds available line* on the school funds expenditure form (SFEF).
- **Delinquent Payments** – There were **4** instances where the school delinquently paid invoices over 90 days late.

The APM provides the following guidelines regarding management of disbursements:

- **School Funds Expenditure Form** - The APM Section 4.5.3 *Cash Disbursements* states that prior to ordering or purchasing goods or services; a SFEF must be fully completed and signed by the principal.
- **Payment of Invoices** – The APM states: “Invoices should be paid within 30 days of receipt. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.”

Reportedly, Covid-19 mail delays caused the school to receive mailed invoices late. As a result, the invoices were paid delinquently. The incomplete available funds lines on the school funds expenditure forms was an oversight and has since been corrected.

When SFEFs are not fully completed before expenditures are made, it places the school at risk for insolvency. When billings are paid late, there is the potential for assessed fees.

Recommendation: The principal and recordkeeping staff should ensure that SFEFs are completed entirely and properly approved prior to purchases. The recordkeeping staff should ensure the funds available line is completed, signed and dated before forwarding the expenditure request to the principal for approval. The recordkeeping staff and principal should ensure that all bills are paid according to the agreed terms.

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

2023.02 Restricted Fund Account Deficits

The following restricted accounts contained deficits which aggregated to approximately **(\$21,613.35)** as of April 30, 2022.

Account	Name	Amount
301.00	Band	-\$594.16
301.10	Band Supplies	-\$193.90
450.30	PSA-Staff Appreciation	-173.95
480.00	Yearbook	-\$3,664.36
480.10	PY Yearbook	-\$12,762.14
505.00	Agenda Books	-\$709.99
575.00	PE Uniforms and Equip	-\$3,514.85
Total		-\$21,613.35

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 the Student Activity Funds (SAF), the principal should ensure all accounts are solvent at all times.

Under the BOE policies and procedures that govern the SFETFs, the bookkeeper should complete the funds available line located in the “Request and Pre-Approval” section to ensure there is sufficient funding to cover the requested disbursement.

Reportedly, the current year book deficits were due to the school ordering excessive amounts of yearbooks that were not all sold. There were also hidden costs associated with the purchase of the yearbooks. The school has currently signed a contract with a new yearbook vendor to prevent this issue in the future. The PE Uniform, Band, and Agenda Books deficits pre dates the last audit and are currently dormant accounts.

The students are not receiving the maximum possible benefit of the resources that should have been available to them when unrestricted resources have to be used to pay for excessive spending in restricted fund accounts.

Recommendation: The principal should contact the Accounting and Financial Reporting Office to determine if there is a resolution for clearing restricted deficits, especially those that have carried forward for several years. Proper budgeting must be practiced to ensure that only the amount of yearbooks that are expected to be sold are ordered.

James Madison Middle School
School Activity Funds
Internal Audit Report
For the Period Ended April 30, 2022

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for James Madison Middle School was issued for the period ended August 31, 2016. During that period, the principal and recordkeeping staff held their current positions. The previous audit report had 4 reportable conditions, of which 1 is 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 Student Activity Funds – See Finding 2023.01** regarding *Mismanagement of Disbursements - Delinquent Payments*.
- **Administration of Voided Checks** – Controls appear to be working.
- **Inappropriate Collection and Remittance of Sales Tax** – Controls appear to be working.
- **Year-end Monetary Transmittal Forms Process** – Controls appear to be working.

ACKNOWLEDGEMENT


We would like to thank the principal and recordkeeping staff of James Madison Middle School for their cooperation and assistance during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office: James Madison MS
Response Date September 26, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01</u> <u>Mismanagement of Disbursements</u>	The principal and recordkeeping staff should ensure that SFEFs are completed entirely and properly approved prior to purchases. The recordkeeping staff should ensure the funds available line is completed, signed and dated before forwarding the expenditure request to the principal for approval. The recordkeeping staff and principal should ensure that all bills are paid according to the agreed terms.	Concur	Bookkeeper and Principal will ensure the School Funds Check Request/Expenditure Form are completed entirely, and funds available line completed, signed and dated before forwarding to Principal for signature.	9/7/22	Implemented
2.	<u>2023.02</u> <u>Restricted Fund Account Deficits</u>	The principal should contact the Accounting and Financial Reporting Office to determine if there is a resolution for clearing restricted deficits, especially those that have carried forward for several years. Proper budgeting must be practiced to ensure that only the amount of yearbooks that are expected to be sold are ordered.	Concur	Principal will ensure yearbooks are presales only. Principal has contacted Accounting and Financial Office and Katrina Greene, Student Activity Fund Support Specialist. We were approved to have \$9,350.00 from PY Carryover to over some of the dormant accounts		

Principal Signature _____

Date _____


9/21/2022