



March 14, 2023

MEMORANDUM

To: Wanda Williams, Ed. D., Instructional Director
Area I

Jessica Grant, Ed. D., Principal
James Ryder Randall Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of October 31, 2022

An audit of the financial records of **James Ryder Randall Elementary School** was completed for the period October 1, 2020 through October 31, 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 policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan by **April 14, 2023** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated 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.

cc: Judy Mickens-Murray, Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
Kasandra Lassiter, Ed. D., Associate Superintendent
Lisa Howell, Acting Chief Financial Officer
James Dougherty, Director, Financial Services
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal
Alicia Robinson, Internal Auditor II

Internal Audit Report

James Ryder Randall Elementary
School

School Activity Funds

For the Period Ended October 31, 2022

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Table of Contents

INTERNAL AUDITOR'S REPORT	3
SUMMARY	4
OBJECTIVES	4
SCOPE	4
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDIT FINDINGS	11
ACKNOWLEDGEMENT	11

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of James Ryder Randall Elementary School for the period October 1, 2020 to October 31, 2022. James Ryder Randall Elementary School's principal is responsible for the administration of the 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:

- *Mismanagement of Funds Received,*
- *Administration of Voided Checks,*
- *Delinquent Financial Reporting,*
- *Restricted Fund Account Deficits,*
- *Administration of Vending Machines, and*
- *Annual Fundraiser Report Not Completed*

The findings resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, the SAF referred to above, has been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2022.



Michele Winston, CPA
Director, Internal Audit

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

SUMMARY

The Internal Audit Department has completed an audit of the school activity funds (SAF) for James Ryder Randall Elementary School for the period October 1, 2020 to October 31, 2022. The audit was conducted as part of the annual audit plan.

The audit includes 6 findings that occurred during the previous principal's tenure including 4 that were also attributed to 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 for School Activity Funds (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period October 1, 2020 to October 31, 2022. Also, available 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 School Operating Resource (SOR) funds or any funds not derived from students' activities for the audit period.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Mismanagement of Funds Received

There were several instances of non-compliance regarding the administration of receipts. The following indicates the issues of non-compliance:

- A. ***Undeposited Funds:*** The following instances of noncompliance with the processing of funds received were noted:
- a) There were **2** MTFs noted in the school's safe with funds which totaled \$2,015.25 that were collected for school activities (Chromebooks - \$1,140.00 and Mid-Atlantic Fundraiser - \$875.25) in September 2022. The funds were deposited by the school's principal on November 14, 2022.
 - b) Funds from sale of Yo-Yos along with funds collected for Chromebooks (October 17, 2022 – November 11, 2022) were also noted in the school's safe during the audit. There was no MTF prepared to substantiate these funds. The improperly documented funds totaled \$1,192.00. The funds were verified by a staff member and deposited by the principal.
 - c) A Mid-Atlantic Fundraiser (MAF) check dated March 29, 2021 for \$632.23 was found by the current principal in the former principal's office. The vendor was ***contacted and a replacement check was initiated.***
- B. ***Delinquent Deposits:*** There were at least **5** instances where funds collected by staff members were not remitted timely. The range of delinquency was 5 to 474 days. ***This condition was also noted in the previous audit as of September 30, 2020.***
- C. ***Segregation of Duties:*** There were at least **3** instances where the recordkeeping staff collected funds without completing MTFs. In one instance the recordkeeping staff received and deposited a check for \$642.84. In another instance, the recordkeeping staff collected funds totaling \$290.00 for Chrome books. The funds were commingled with funds collected by the former principal and included on MTF #415789 which was completed by the former principal.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

The following criteria is established in the APM for administering funds received:

- A. Section 4.5.2.2 (1), *Collecting Funds: Completing the MTF*, require **all** funds collected to be remitted to the bookkeeper on the day of collection. Staff should ensure that the documentation is accurately stated and totals the funds remitted to the bookkeeper. The bookkeeper is required to verify that the funds received match the documentation attached to the MTF. Each MTF documentation should verify the funds remitted to the bookkeeper. After verification of funds, the bookkeeper should sign and date the MTF as the approver.
- B. Section 4.5.2.2 (2) *Guidelines for Bank Deposits* also requires the bookkeeper to make timely deposit of funds with the financial institution in a timely manner. Deposits are required at least every other day.
- C. Exhibit A, *Internal Control Objectives and Principles, Segregation of Duties* states that no one person should ever be made solely responsible for maintaining records on resources that they have custody of, access to and/or authority over.

The following were the reported causes for the non-compliance regarding the management of funds received:

- A. The recordkeeping staff is the only office staff personnel. The recordkeeping staff failed to ensure that funds were remitted timely to the financial institution. Also, the recordkeeping staff stated that the MAF fundraiser check was recently located with the former principal's documents left at the school.

The recordkeeping staff stated that funds were collected from parents who came into the office when the former principal and instructional lead teacher were not available. Reportedly, the former principal and instructional lead teacher were subsequently notified that the funds had been collected in order for a MTF to be completed.

- B. According to the former principal, the former recordkeeping staff did not go into the office during the pandemic and resigned in March 2021 when schools reopened. Another factor that contributed to the delinquency is that the former principal was on extended leave from March 2021 to July 2021 when another recordkeeping staff was assigned to the school and abandoned the position after 1 and a half days.
- C. The former principal performed bookkeeping responsibilities during the period when the school was without a recordkeeping staff, a registrar, and an assistant principal. The current recordkeeping staff was not trained until May 2022.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

The following are the potential effects from noncompliance with management of funds received:

- A. Failure to deposit vendor checks can result in loss of funds that should be available to benefit the student population.
- B. Internal controls are compromised when funds are retained in the school for several days and increases the risk for fraud or loss of funds.
- C. Inadequate essential staffing impacts the school's ability to process funds collected in accordance with the guidelines of the APM. Further, inadequate segregation of duties increases the potential for fraud to the school.

Recommendations: The following are recommendations to help ensure collections are properly managed as required by the guidelines of the APM:

- A. Staff members must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis and verifying the source of funds to the MTF. The recordkeeping staff must review the contents of the safe and verify funds remitted to ensure prompt processing.
- B. The recordkeeping staff should be held accountable for remitting funds timely to the financial institution. The principal must conduct periodic review of the school's financial records to ensure that the recordkeeping staff is in compliance.
- C. The principal should assign someone other than the recordkeeping staff to collect funds remitted directly to the office and complete the MTF to facilitate adequate segregation of duties.

2023.02 Administration of Voided Checks

There were 2 instances where voided checks were not properly mutilated by removing the signature line.

The APM, Section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires accounting for a physical check when an error is made at the time of processing or when a check is damaged. Voided checks are required to be defaced by the removal of the signature and account lines.

Reportedly, the former principal was not aware that the signature line had to be removed during the void check process.

Inappropriate administration of checks exposes the school to fraud, waste, and abuse of its resources. *This condition was also noted in the previous audit as of September 30, 2020.*

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

Recommendation: The recordkeeping staff should ensure that all voided checks are properly voided by removal of the signature line. The principal should conduct periodic review of voided checks to ensure compliance with BOE policies and procedures. All check signers should take the time to familiarize themselves with the voided check procedures as outlined in the APM.

2023.03 Delinquent Monthly Financial Reporting

There were at least **12** instances where monthly bank reconciliations and monthly reporting were not timely prepared by the former recordkeeping staff, SFO Specialist and/or current recordkeeping staff. The delinquency ranged from **6** to **154 days**.

The APM section *5.1.2 Monthly Reconciliation and Financial Reporting* states that the bookkeeper is required to complete the bank reconciliation within 7 days of receiving the statement from the bank. All financial reports should be completed by the 15th of each month and submitted to the principal for review and approval.

The former recordkeeping staff resigned on March 5, 2021 leaving the position vacant. The SAF Support Specialist completed several reconciliations and monthly reporting while the recordkeeping staff position was vacant, however, the monthly reporting was not done timely due to competing obligations to other schools. The current recordkeeping staff was assigned to the school on September 27, 2021 but was not fully trained until May 2022. Bank statements were not received via mail or online which contributed to the delinquencies. The current recordkeeping staff was not unaware that a printout of the bank statement can be obtained from the bank to facilitate timely financial report preparation.

The principal's fiscal responsibility is compromised when monthly reporting is not prepared and/or reviewed timely. Timing differences or other errors may not be detected and corrected promptly when the reconciliation process is not performed as intended. ***This condition was also noted in the previous audit as of September 30, 2020.***

Recommendations: The principal and recordkeeping staff should implement internal controls to ensure that the monthly bank reconciliation process is performed in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the statement from the bank and the completion of financial reports by the 15th of each month). The principal and recordkeeping staff should meet monthly to ensure compliance. The principal should contact Treasury Services to implement a process for accessing monthly bank statements online.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

2023.04 Restricted Fund Account Deficits

There were **3** restricted fund accounts with deficits that totaled **\$3,753.58** as of October 31, 2022:

<u>Account #</u>	<u>Account Description</u>	<u>Account Balance</u>
420.00	Fieldtrip	(\$ 134.36)
450.50	Principal Sponsored Activity	(\$ 852.56)
480.00	Yearbook	(\$ 2,766.66)
Total		(\$ 3,753.58)

The APM, Section 4.3 *Fund Accounts*, states that expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

Also, the APM Section 9.6 *Principal Sponsored Activities (PSA) for Staff* indicates that expenditures for authorized principal-sponsored activities are restricted to funds available from the sources as outlined in the manual, which includes 100% vending commissions in the staff lounge, 25% of vending commissions from student-accessed machines up to the first \$50,000.00 and 15% of school-wide fundraising profits.

The PSA fund account deficits and the Yearbook deficit existed from the previous audit and prior to the current principal’s tenure. As such, the cause for the noted deficits could not be determined.

Overspending in restricted accounts results in insufficient funds being available to administer student activities to the general student population. ***This condition was also noted in the previous audit as of September 30, 2020.***

Recommendation: The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits. Also, focused planning and budgeting should occur to ensure that the school’s resources are used efficiently and that further deficits do not occur. Spending in the deficit accounts should be ceased until the deficits are resolved.

2023.05 Administration of Vending Machines

There were **2** vending machines located in the teacher’s lounge at the school. The following exceptions pertaining to the administration of vending machines were identified:

- There was no approved contract for FY 2021 or FY 2022.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

- There were no vending machine commissions remitted to the school after February 6, 2020. The school's last day due to COVID-19 was March 13, 2020, therefore, 2 months of commissions should have been provided to the school. Also, there were no vending commissions for FY 2021 or FY 2022 even though the vending machines were being serviced after the school reopened in the third quarter of FY 2021.

Administrative Procedure 5135.2, *Principal's Contracting Authority*, requires the principal, as an agent of the BOE, to approve and sign all agreements and contracts entered into for all school activities. Also, the APM, Section 9.8, *Vending Machine Sales*, states, "all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted."

The former principal did not respond to the inquiry regarding the vending contracts and commissions. According to the vending machine vendor, there were challenges with the previous principal which resulted in refusal to sign the vending contract and accept the vending commission checks. Reportedly, the vending commission checks will be reissued to the school. The principal met with the vending machine vendor on December 6, 2022, at which time a signed vending contract was secured and outstanding vending proceeds of \$442.01 from FY 2022 and FY 2023 was received.

Failure to have a signed agreement with the vending company may increase the risk of inadequate maintenance of the machines and insufficient commission revenue from the vending machine operation. Failure to have a formal contract in place also constitutes non-compliance with BOE policies and procedures.

Recommendation: The current principal should ensure compliance with AP 5135.2, *Principal's Contracting Authority* and APM section 9.8 regarding administration of contracts and vending machine sales. A copy of the vending contract should be forwarded to Purchasing and Supply Services for review and retention.

2023.06 Annual Fundraiser Report Not Completed

The school did not comply with the requirements for administering fundraisers during the audit period. The school sponsored 2 school-wide fundraising activities during the audit period. The annual reports summarizing the fundraising activities were not completed as required.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete a report summarizing fundraising activities for all fundraisers sponsored during the school year. These documents must be maintained on file for public and auditor review upon request. The former principal was not aware of the fundraising requirement.

**James Ryder Randall Elementary School
School Activity Funds
Internal Audit Report
For Period Ended October 31, 2022**

It could not be readily determined whether the school's fundraisers yielded an overall profit for the school. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available. *This condition was also noted in the previous audit as of September 30, 2020.*

Recommendation: The current principal or designee should prepare a report at the end of each school year that summarizes the fundraising activities held. Required reports must be maintained on file for public and auditor review.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for James Ryder Randall Elementary School was issued for the period ended September 30, 2020. Neither the principal nor the recordkeeping staff was on staff during the previous audit. There were **5** findings noted as a result of that audit which all still exist and are summarized below:

- **Mismanagement of Funds Received** – Condition still exists. **See Finding 2023.01** regarding *Mismanagement of Funds Received: Delinquent Deposits.*
- **Mismanagement of Disbursements** – Condition still exists. **See Finding 2023.02** regarding *Administration of Voided Checks.*
- **Restricted Deficit Accounts** – Condition still exists. **See Finding 2023.04** regarding *Restricted Fund Account Deficits.*
- **Delinquent Financial Reporting** – Condition still exists. **See Finding 2023.03** regarding *Delinquent Monthly Financial Reporting.*
- **Fundraiser Forms Not Completed** – Condition still exists. **See Finding 2023.06** regarding *Annual Fundraiser Form Not Completed.*

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: James Ryder Randall ES
Response Due Date April 14, 2023**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented Implemented
1.	<u>2023.01 Mismanagement of Funds Received</u>	<p>The following are recommendations to help ensure collections are properly managed as required by the guidelines of the APM:</p> <p>A. Staff members must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis and verifying the source of funds to the MTF. The recordkeeping staff must review the contents of the safe and verify funds remitted to ensure prompt processing.</p> <p>B. The recordkeeping staff should be held accountable for remitting funds timely to the financial institution. The principal must conduct periodic review of the school's financial records to ensure that the recordkeeping staff is in compliance.</p>	Concur	<p>The current principal has implemented the following steps:</p> <p>Maintain a MTF book for signing out MTFs.</p> <p>Ensure funds are secured in the school vault with a MTF attached. To reduce financial concerns; money collection will occur on Wednesdays (unless directed differently by the principal)</p> <p>Do not accept funds without an MTF (specific individuals have been identified to complete MTFs; Chromebooks - Weaver; Fundraisers - Hill or Raiford; Field trips - classroom teachers).</p>	1/27/23	Implemented

Principal Signature *Jessica Grant*

Date **Apr 12, 2023**

		C. The principal should assign someone other than the recordkeeping staff to collect funds remitted directly to the office and complete the MTF to facilitate adequate segregation of duties.		Ensure that the school always has MTFs to collect funds. When the supply begins to run low, the recordkeeper must request additional MTFs. This is the same action step that should take place for deposit slips. Communicate concerns with the principal when appropriate.		
2.	<u>2023.02</u> <u>Administration of</u> <u>Voided Checks</u>	The recordkeeping staff should ensure that all voided checks are properly voided by removal of the signature line. The principal should conduct periodic review of voided checks to ensure compliance with BOE policies and procedures. All check signers should take the time to familiarize themselves with the voided check procedures as outlined in the APM.	Concur	The current principal approves all expenditure forms and has a weekly review of checks written and voided checks to ensure compliance Training with Mrs. Greene (4/11/23) for the secretary to learn the voided check procedures	1/27/23	Implemented
3.	<u>2023.03</u> <u>Delinquent</u> <u>Monthly</u> <u>Financial</u> <u>Reporting</u>	The principal and recordkeeping staff should implement internal controls to ensure that the monthly bank reconciliation process is performed in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the statement from the bank and the completion of financial reports by the 15th of each month). The	Concur	The current principal and secretary maintains a monthly reconciliation book that is sectioned by each month of the year Bank reconciliations are completed by the 15 th of each month except for cases of vacancies.	1/27/23	Implemented

Principal Signature *Jessica Grant*

Date **Apr 12, 2023**

		principal and recordkeeping staff should meet monthly to ensure compliance. The principal should contact Treasury Services to implement a process for accessing monthly bank statements online.		Bank statements are provided to the principal monthly through the online process.		
4.	<u>2023.04 Restricted Fund Account Deficits</u>	The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits. Also, focused planning and budgeting should occur to ensure that the school's resources are used efficiently and that further deficits do not occur. Spending in the deficit accounts should be ceased until the deficits are resolved.	Concur	The current principal requested prior year carryover in 11/2022 (approved 2/2023). The SFO no longer has negative accounts.	1/27/23	Implemented
5.	<u>2023.05 Administration of Vending Machines</u>	The current principal should ensure compliance with AP 5135.2, <i>Principal's Contracting Authority</i> and APM section 9.8 regarding administration of contracts and vending machine sales. A copy of the vending contract should be forwarded to Purchasing and Supply Services for review and retention.	Concur	The current principal received a new vending contract in 2/2023. A copy of the vending contract was forwarded to Purchasing and Supply Services in 2/2023.	1/27/23	Implemented

Principal Signature *Jessica Grant*

Date **Apr 12, 2023**

6.	<u>2023.06 Annual Fundraiser Report Not Completed</u>	The current principal or designee should prepare a report at the end of each school year that summarizes the fundraising activities held. Required reports must be maintained on file for public and auditor review.	Concur	The current principal has completed fundraiser forms for SY23. Forms are filed in the principal's office.	1/27/23	Implemented
----	--	--	---------------	---	---------	--------------------

Principal Signature *Jessica Grant*

Date **Apr 12, 2023**