



April 12, 2019

MEMORANDUM

To: Ed Ryans, Ed. D. Instructional Director
High Schools

Jeffery Parker, Acting Principal
Dr. Henry A. Wise High School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period February 1, 2017 to January 31, 2019

An audit was completed on the financial records of **Dr. Henry A. Wise High School** for the period February 1, 2017 to January 31, 2019. The audit indicates that the school's control environment requires significant improvement to ensure compliance with BOE policies and procedures. The exceptions noted are included in the attached report.

As the acting principal of the school, you will be responsible for preparing an action plan by May 13, 2019 indicating steps that will be taken to ensure compliance with the Accounting Procedures Manual for School Activity Funds. Send your signed action plan to the Internal Audit Office, Sasscer Administration Building. 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 at internal.audit@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: Deborah.smalls@pgcps.org.

Enclosure

cc: Alvin Thornton, Ph. D., Chairman of the Board of Education
Monica Goldson, Ed. D, Interim Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
J. Michael Dougherty, CPA, Director, Financial Services
Michael Herbstman, Chief Financial Officer
Carletta Marrow, Ed. D., Associate Superintendent, High Schools
Helen Coley, Ed. D., Chief, School Support and Leadership
Joeday Newsom, Esq., Ethics Compliance Officer
Daniel Reagan, Internal Auditor II

Internal Audit Report

Dr. Henry A. Wise High School
Student Activity Funds

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Dr. Henry A. Wise High School for the period February 1, 2017 to January 31, 2019. Dr. Henry A. Wise High 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 Governmental Accountability Office 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:

- *Unremitted Funds;*
- *Mismanagement of Funds Received;*
- *Mismanagement of Disbursements;*
- *After School Pizza Sale Not Compliant with Financial Procedures;*
- *End of Year Monetary Transmittal Forms Procedures Not Followed;*
- *Financial Reporting Non-Compliance;*
- *Fundraiser Forms Not Completed;*
- *Budgeting Shortcomings for Class and Club Accounts;*
- *Assets Purchased with SAF Not on Property Inventory Listing; and*
- *Grants and Donations Not Properly Reported.*
- *Management Oversight*

Individually or in 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 January 31, 2019.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Dr. Henry A. Wise High School for the period February 1, 2017 to January 31, 2019. The audit was performed as part of the annual audit plan.

The audit indicated that the school's financial controls require significant improvement to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

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 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 selected bank statements, financial reports, available cancelled checks all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period February 1, 2017 to January 31, 2019. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2019.01 Unremitted Funds

The audit revealed the following relative to remittance of funds collected on behalf of organizations:

- A. ***Core Textbook Fines***- Funds totaling \$1,387.79 have been collected for core textbook fines. As of January 31, 2019, these funds have not been remitted to the BOE.

- B. ***Athletic Playoff Gate Receipts***- Funds totaling \$50,799.95 have been collected for varsity football gate receipts for the 2017 and 2018 season. As of January 31, 2019, these funds have not been remitted to the BOE. On February 15, 2019, Treasury Operations withdrew \$17,393.95 of these funds. \$33,406.00 remain unremitted. *(This condition was also noted in the previous audit as of January 31, 2017)*

- C. ***Funds Collected for Donations Not Remitted to Respective Organization*** – The restricted Susan G. Komen fund accounted maintained a balance of \$2,764.02 as of January 31, 2019. Funds collected for breast cancer awareness donations during the 2017-2018 school year were not remitted to the respective organization. *(This condition was also noted in the previous audit as of January 31, 2017)*

The Accounting Procedures Manual (APM), Section 9.7 *Textbook Replacement Fees*, states that reimbursements for core textbooks will be deposited into the school's checking account and recorded in *SchoolFunds Online (SFO)* as restricted funds in the School Activity Fund (SAF). These monies must be remitted to the Accounting and Financial Reporting Office (AFRO) on a quarterly basis with a completed Textbook Reimbursement Form.

The 2018-2019 Athletics Handbook states that gate receipts from varsity football ticket sales are to be returned to the PGCPs Office of Treasury Operations. Athletic directors must verify that funds have been sent to PGCPs by completing the online ticket report in GoogleDocs.

The APM requires that bookkeepers prepare and record all financial transactions, including remittances to charitable organizations, in a timely manner.

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The former financial recordkeeping staff stated that they were absent during the summer of 2018, and the remittance of funds to the BOE and to charitable organizations was not their priority upon return. They resigned in September 2018, and remaining school staff was not aware that the funds remained unremitted.

Treasury Operations conducts yearly withdrawals from school bank accounts based on balances in the varsity football gate receipts accounts. However, due to confusion over delayed withdrawals, the former financial recordkeeping staff transferred the 2017 gate receipt revenue to another restricted account. Treasury Operations therefore was not aware that funds needed to be withdrawn.

Inadequate remittance of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school system. Accounting and Financial Reporting is not able to conduct their duties regarding core textbook fines without proper reporting and remitting of funds. The Office of Interscholastic Athletics is unable to properly account for ticket revenue without proper reporting and remitting of funds. Further, donations made by students and staff to the Susan G. Komen fund were not forwarded to the intended charitable cause.

Recommendation: The current financial recordkeeping staff should:

- A. Immediately contact Treasury Operations and the Office of Interscholastic Activities to organize remittance of 2017 and 2018 varsity football gate receipts.
- B. Immediately contact Accounting and Financial Reporting to coordinate reporting and remittance of core textbook fines from the 2017-2018 school year.
- C. Immediately remit payment of 2017-2018 collections to the Susan G. Komen organization.

Further, the current acting principal and current financial recordkeeping staff should review account balances on a monthly basis to identify funds that are due to the BOE or outside organizations.

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2019.02 Mismanagement of Funds Received

The following exceptions pertaining to the management of receipts were identified:

- A. ***Incomplete and/or Inadequate Documentation of Funds Received:*** There were **13** instances where remittance information was not included or not adequate to support the source and amount of funds collected. This includes 5 instances where MTFs for athletic ticket receipts were not supported by an Athletic Ticket Form. ***(This condition was also noted in the previous audit as of January 31, 2017)***

- B. ***Delinquent Deposits:*** There were **82** instances where the deposit was not made timely following initial collection of funds. In **13** instances, deposits were made over two weeks after collection. ***(This condition was also noted in the previous audit as of January 31, 2017)***

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* includes the following provisions:

- A. The MTF must be completed filled out with the following information. 1) who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.

- B. The Bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.000 should be kept in the building overnight.

The APM, Section 7.4.2, *Sporting Events and Ticketing* states that for all sports, the athletic director, bookkeeper and principal must account for all tickets by completing the Mandatory Ticket Report.

The former financial recordkeeping staff and former principal stated that training was consistently conducted to ensure that staff was aware of requirements for timely and accurate remittance of funds. The former financial recordkeeping staff stated that for the most part, staff was compliant by including all remittance information timely. However, there were some situations where the financial recordkeeping staff followed up for additional information and although received, may not have been filed properly to support the MTF amount.

Regarding deposits, the former financial recordkeeping staff stated that despite the finding in the previous report, they did not prioritize timeliness. They stated that their duties were excessive at times and their priority was on accuracy over timeliness. Further, they stated that considering the salary they were paid, they did not feel motivated to work harder or longer to ensure activities such as making deposits were done in the appropriate timeframe.

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Mismanagement of funds received constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The lack of inclusion of remittance information in the school files compromises the audit trail to detect fraud, and makes potential refunds difficult. Consistent delays in deposits greatly increases the risk of lost or stolen funds.

Recommendation: The current financial recordkeeping staff and current acting principal should develop and document specific procedures for the collection, remittance and deposit of funds. The procedures should include responsibilities for staff, financial recordkeeping staff and the principal and should reflect requirements in the Accounting Procedures Manual. The current Acting principal should closely monitor deposits to ensure that controls are properly established and that the financial recordkeeping staff is held accountable for compliance.

2019.03 Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Lack of Proper Support:*** There was inadequate support attached to checks in 7 instances. The exact amount of the check was not supported by the invoice in 4 instances. Price quotations were used instead of an invoice in 2 instances. The original MTF was not used to support a refund in the final instance. *(This condition was also noted in the previous audit as of January 31, 2017)*
- B. ***Lack of Proper Pre-Approval:*** The pre-approval process was not initiated until after the purchase or commitment of funds in 30 instances. The pre-approval was not dated to determine whether it was completed timely in 6 instances. *(This condition was also noted in the previous audit as of January 31, 2017)*
- C. ***Unauthorized Approvals:*** Pre-approval of expenditures was provided by an assistant principal in 26 instances without the former principal's written letter of delegation for this responsibility.
- D. ***Delinquent Payments:*** Payments were made to vendors after the due dates on the invoices in 11 instances. *(This condition was also noted in the previous audit as of January 31, 2017)*
- E. ***Water Rental Fee:*** The school is being assessed an equipment rental fee for water used in the health room/nurses office. *(This condition was also noted in the previous audit as of January 31, 2017)*

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The APM includes the following provisions relative to administration of disbursements:

- A. Section 4.5.3 requires all checks must have itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sales, etc. Examples of documents that are not itemized invoices or receipts include credit card receipts, statements, order confirmations, price quotes and packing slips.
- B. According to Section 4.5.3, prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The form includes space for front office staff to indicate funds available in the relevant account prior to the principal providing pre-approval.
- C. The APM, Section 3.2.1, *Principals*, states that the principal is the fiduciary agent for School Activity Funds. As such, responsibility for accounting, safeguarding and managing the SAF, in accordance with PGCPs policies and procedures, rest solely with the principal. He or she is responsible for pre-approval of all expenditures from the SAF. If the principal anticipates an extended absence, the pre-approval function may be delegated to a vice-principal. It is necessary that the principal sign a written delegation naming the designee and the specific timeframe of his/her absence.
- D. According to Section 4.5.3 principals should review invoices and statements for past due amounts and ensure payments are made within 30 days of the invoice, or by the due date on the invoice.
- E. The APM, Section 9.13, *Paying for Deer Park Water*, states that water purchased by schools under the Deer Park (Nestle) contract, using SAF resources should include only the cost of the water, and not the rental of equipment, which is gratis.

The former principal and former financial recordkeeping staff provided training to staff regarding the importance of obtaining pre-approval prior to purchases, as well as the importance of including accurate invoices timely so that payments could be made. Both the former principal and financial recordkeeping staff stated that they saw improvements in these areas, but the school's wide array of athletic teams and clubs made it difficult to enforce controls. It also made it difficult to ensure all invoices were paid timely. The former financial recordkeeping staff stated that follow-up was often attempted to support expenditures, but items received later may not have been added to the file.

The assistant principal began providing pre-approvals on SFEFs prior to the former principal's tenure. The former principal took back this responsibility intermittently, but was not aware that the assistant principal could only conduct this action during the principal's absence and with a letter of delegation.

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The former financial recordkeeping staff stated that they remembered contacting the water company to remove the rental fee as a result of the previous audit, but they did not review invoices to ensure that it had been removed.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Lack of precise support for check amounts can potentially lead to incorrect payments. Failure to obtain pre-approval from the principal can lead to insolvent accounts when the principal is not made aware of all disbursements being made by the school. Delinquent payments can lead to unnecessary late charges, or eroding relationships with vendors that could impact student experiences. Payment of equipment rental fees represent funds unnecessarily expended that could be used to support student activities.

Recommendation: The current acting principal and financial recordkeeping staff should develop and document specific procedures for expenditures. The procedures should provide specific responsibilities for staff, financial recordkeeping staff and principal, and they should reflect APM requirements. Staff should be trained on the new procedures. The current acting principal should provide all pre-approvals and also provide close supervision to the process to ensure that check requests are properly supported and promptly paid.

In addition, the current financial recordkeeping staff should contact Nestle to pursue a refund on rental fees paid during the audit period, and to remove the rental fee from future invoices. Future invoices should be reviewed to ensure compliance.

2019.04 After School Pizza Sale Not Compliant with Financial Procedures

A parent volunteer conducts a daily sale of Papa Johns pizza immediately following the end of each school day on school premises. The sale does not have a staff sponsor, and the volunteer does not have his own insurance. The volunteer pays Papa Johns for the pizza, which he stated is usually around \$150 total per day. He then sells the pizza to students at \$2/slice. At the end of each day, he reimburses himself for what he paid to Papa Johns with cash on hand and sets the profit aside to be donated to the school. Usually on a weekly basis, he remits profit to the school on an MTF as a donation to an account of his choosing. He stated that all profit is remitted to the school, but school staff does not inspect Papa Johns receipts or his total revenue to confirm. He remitted **\$16,233** to the school during the audit period.

The APM, Section 6.11, *Affiliated Organizations*, states that funds collected by outside/affiliated parent organizations should not be accounted for in the SAF. These funds shall be handled by that organization and cannot be commingled with the funds of the school. These organizations can use the school's premises. However, if an event is held

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on school property, the organization should have insurance and sign a disclaimer to prevent School System liability. The outside groups must also obtain their own liability and tax status.

The APM, Section 4.5.2, *Cash Receipts* states that staff members collecting money are required to complete a Monetary Transmittal Form and submit it to the Bookkeeper with money collected. All funds collected must be submitted to the Bookkeeper on the same day collected. Personnel are prohibited from removing money from school premises.

The parent volunteer has been conducting this pizza sale for six years, under implied permission from several different principals, who were aware of his activities. The former principal stated that she was concerned when she became principal in 2017, but became comfortable once she realized that funds were being remitted. She was unaware that outside individuals could not complete MTFs or that there were insurance issues.

The after-school pizza sale by a parent volunteer constitutes non-compliance with BOE policies and procedures and increases financial and legal risk to the school.

Recommendation: The current acting principal should coordinate with the parent volunteer to determine a path for the sale to continue in compliance with the APM. Potential solutions include:

- A. A staff member can assist with the sale each day, be responsible for cash disbursed and collected, and route all expenditures and revenue through the school's checking account.
- B. The parent volunteer will have to obtain his own liability insurance. Further, remission of funds will have to be made as donation checks to the school.

2019.05 Year-End Monetary Transmittal Form Procedures Not Followed

A total of 3 employees' end of year MTF envelope for the 2017-2018 school year and 1 employee's end of year MTF envelope for the 2016-2017 school year could not be found. Aggregately, there were 40 MTFs, totaling \$75,177.35 that could not be verified. *(This condition was also noted in the previous audit as of January 31, 2017)*

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the

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Bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO "Receiptee History" Report and submit it to the designated administrator. This alerts the administrator which MTF envelope packages to expect.

The former principals were responsible for collecting envelopes at the each of the last two school years as part of the overall closeout process for staff. However, the former financial recordkeeping staff did not provide the principals with the SFO Receiptee History Report so that the principals could identify missing envelopes at the end of the collection period.

The ineffective year-end MTF process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendation: The principal and/or the principal's designee, with the assistance of the SFO Receiptee History Report provided by the financial recordkeeping staff, should ensure that all envelopes are collected prior to the end of each school year.

2019.06 Financial Reporting Noncompliance

During the review of the internal controls over the reporting process and the school's compliance with the reporting requirements for the audit period, the following exceptions relative to financial reporting were identified:

- ***Untimely Reporting*** - There were 7 instances where the bookkeeper did not prepare monthly financial reports timely. Financial reports were prepared up to 3 months after the date of the report. ***(This condition was also noted in the previous audit as of January 31, 2017)***

- ***Inadequate Approval of Financial Reports*** - There were 5 instances where the principal's and bookkeeper's signatures on monthly financial reports were not signed. Internal Audit was unable to determine whether these reports were reviewed or approved. ***(This condition was also noted in the previous audit as of January 31, 2017)***

The Accounting Procedures Manual (APM), Section 5.2, *Financial Reporting Requirements*, states that the principal should receive and approve the package of reports, to include the bank reconciliation, by the 15th of each month.

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Despite this being a finding in the previous report, the former financial recordkeeping staff did not prioritize timeliness when it came to financial reporting. Due to the heavy workload and perceived lack of adequate compensation, they completed bank reconciliations and other monthly reports only when time allowed. The former principal concurred that there was a heavy workload for the financial recordkeeping staff and moved some responsibilities such as payroll to the principal's secretary. The former principal noticed a small improvement but reports remained consistently late during the audit period. Some reports were so late that they did not make it to the former principal for signature. The former principal stated that she reviewed the reports each month, however.

Untimely and unapproved bank reconciliations constitute non-compliance with BOE policies and procedures and increased financial risk to the school. The bank reconciliation process is the most effective internal control to ensure that funds are properly deposited and recorded.

Recommendation: The current Acting principal and current financial recordkeeping staff should establish and document a process for reviewing and approving bank reconciliations timely. A set meeting should be scheduled each month to review reports and discuss the SAF. The current acting principal should provide oversight to ensure the current financial recordkeeping staff completes reconciliations timely.

2019.07 Fundraiser Forms Not Completed

Fundraiser Authorization Forms were not found for **30** of the 40 fundraisers identified during the 2017-2018 school year. There were **3** completed authorization forms that were not signed by the principal. Fundraiser Completion Reports were not found for **33** of the 40 fundraisers during the 2017-2018 school year. All **7** of the completed Fundraiser Completion Reports were not signed by the principal. An annual fundraising summary was not completed by the principal for the 2016-2017 or 2017-2018 school year. *(This condition was also noted in the previous audit as of January 31, 2017)*

The APM, Section 7.2.2, *Fundraising Procedures*, states that club fundraisers must be formally approved by the principal using a Fundraiser Authorization Form. At the conclusion of all fundraisers, a Fundraiser Completion Report must be prepared by the sponsor. Additionally, the principal should prepare an annual report summarizing all fundraising activities concluded during the year. The data in this annual report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

The former principal assigned two administrators with the responsibility to manage fundraisers. Both administrators stated that some clubs and teams may have conducted fundraisers without approval. Further, there was confusion regarding where some of the forms may have been maintained, particularly during the beginning of the audit period.

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Failure to complete fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members. Further, Fundraiser Completion Reports bolster the budgeting process which can ensure optimal performance by each fundraiser.

Recommendation: The current acting principal and current financial recordkeeping staff should develop and document specific procedures for fundraisers. The procedures should lay out specific responsibilities for staff and administration and it should reflect APM procedures regarding fundraising approvals and reports. The current acting principal should provide close oversight to the process to ensure compliance. Completion Reports from the 2018-2019 school year should be used to compile an annual fundraising summary. All fundraiser forms should be maintained for future review.

2019.08 Mismanagement Class and Club Accounts

The school's clubs have not developed and submitted annual budgets. Further, the Senior Class Planning and Budget Workbook has not been properly completed during the audit period. The school did not use the Workbook for SY 2016-2017 or SY 2017-2018. During SY 2018-2019, the class administrator completed the workbook, but did not include all planned expenses and did not use it as a working document throughout the year.

Further, **\$23,925.09** in residual Class of 2018 funds have not been transferred to other accounts.

The APM, Section 7.3, *Class and Club Accounts*, requires that a copy of annual budgets for all school clubs should be provided to the school's bookkeeper. Further, it states that a Senior Class Planning and Budget Workbook must be included in the school's annual report submission due in mid-July. It also states that a senior class must plan, with the approval of the principal, for the final disposition of any residual class funds. Appropriate uses of residual funds include:

- Unrestricted donation to the school or upcoming senior class
- Restricted donation to Materials of Instruction account
- Restricted donation for specific school improvement or equipment
- Reservation for a Scholarship account
- Transfer to Principal-Sponsored Activities (PSA) account, up to a maximum of 25% of residual funds

The former principal and former financial recordkeeping staff did not establish an effective process for class and club budgeting. They were unaware of the requirements for all clubs to complete budgets. Regarding the Senior Class Planning and Budget Workbook, the former financial recordkeeping staff only became aware of it last year. Informal budgeting

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was conducted prior to 2018-2019, and a residual fund plan was not conducted in 2018. The current financial recordkeeping staff stated that the principal, class administrator and class sponsor for the class of 2018 are no longer at the school to determine residual fund plan.

The lack of club and class budgeting constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases the coordination between club sponsors and the school administration when it comes to planning and executing necessary payments. School staff explained that poor budgeting for senior classes have led to school insolvency in the recent past.

Recommendation: The current acting principal and current financial recordkeeping staff should develop and document budgeting procedures, with specific requirements for class and club sponsors. The budgets should be developed and reviewed at the beginning of each year. The Senior Class Planning and Budgeting Workbook should also be used as a working document throughout the year so that senior class payments are used for positive experiences in the most efficient way.

The current financial recordkeeping staff should transfer **\$23,925.09** in the Class of 2018 accounts to *Restricted Materials of Instruction* due to the lack of documented residual fund plan.

2019.09 Assets Purchased with SAF Not On Property Inventory Listing

The school did not maintain a property inventory listing for school equipment such as sporting equipment (\$1,732.27) and parking lot control equipment (\$2,756.21) purchased with SAF. The In-Use Inventory Equipment Receiving Report was not completed to ensure the assets were included in the school's property inventory. *(This condition was also noted in the previous audit as of January 31, 2017)*

The APM, Section 9.5, *Accounting for Property Inventory*, requires all equipment purchased with SAF to be reported on a self-insurance inventory form known as the In-Use Inventory Equipment Receiving Report. The school must report to the Accounting and Financial Reporting Office all equipment valued in excess of \$1,500.00 and maintain a record at the school of all equipment valued at \$1,500.00 or less.

Despite this being a finding in the previous report, the former principal and former financial recordkeeping staff never formalized a process to maintain a property inventory. The former financial recordkeeping staff stated that due to the already heavy workload with processing receipts and disbursements, they did not prioritize secondary issues such as the property inventory.

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The lack of property inventory tracking constitutes noncompliance with BOE policies and procedures and increases financial risk to the school. There is a potential for loss when assets are not adequately monitored.

Recommendation: The current financial recordkeeping staff should prepare an In-Use Inventory Equipment Receiving Report for all equipment purchased with SAF. A physical inventory should be performed periodically to ensure items are located on the school's premises. The current acting principal should provide oversight to this process.

The current financial recordkeeping staff should also review existing property to determine the existence of individual assets exceeding \$1,500.00 and report to Accounting and Financial Reporting as appropriate.

2019.10 Grants and Donations Not Properly Reported

Grants and donations received during the audit period were not properly reported to the Grants Financial Management Office (GFMO). SFO reporting indicates 86 potentially reportable grants and donations, totaling **\$58,023.06**. GFMO's records only show 1 grant, totaling \$2,000, as being properly reported by the school. *(This condition was also noted in the previous audit as of January 31, 2017)*

The APM, Section 9.3, *Accounting for Grants and Donations*, states that all grants made directly to schools, irrespective of amount should be reported to the Grants Financial Management Office (GFMO) on a School Grant Reporting Form. The completed form and attachments should be electronically transmitted to the GFMO within 5 days of grant award.

Despite this being a previous finding, the former principal and former financial recordkeeping staff did not establish a process to ensure that grants and donations were properly reported.

GFMO reviews all grants to determine whether they meet the criteria to be managed at the school level. In addition, it allows them to keep a record of all grant money received by PGCPSS. Failure at the school level to report grants to GFMO compromises both of these efforts.

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Recommendation: The current acting principal and current financial recordkeeping staff should familiarize themselves with the requirements for grants and donations, and then develop controls to ensure compliance.

2019.11 Management Oversight

The former principal did not administer proper oversight relative to periodic review of deposits, financial reporting and SAF expenditure documentation. The former principal failed to implement the action plan submitted in 2017 for the prior audit. There are 7 repeat findings, with 3 additional findings.

The principal is the fiduciary agent for the SAF. In this role, the principal is responsible for ensuring that these funds are administered in accordance with Prince George's County Public Schools (PGCPS) policies and procedures and spent to provide the maximum benefit possible to the students. It is also important that the principals, who are ultimately responsible for these funds, be aware that the success of the internal control system rests largely with them.

Several BOE policies and procedures as established in the APM were not followed. This resulted in internal controls being compromised. Students are not receiving the maximum possible benefit of the resources available to them.

Recommendation: The current Acting principal should take some time to read the APM and adopt a hands-on approach with respect to administration of the school's finances. The following 5 basic principles must be incorporated into the school's policies and procedures, to achieve the internal control objectives:

- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documentation and Records;
- Limited Access to Assets, and
- Independent Checks on Performance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Dr. Henry Wise High School** was issued for the period ended **January 31, 2017**. The current acting principal began in March 2019 and the current financial recordkeeping staff began in temporary status in October 2018. The former principal was in her position from July 2017 to January 2019. The former financial recordkeeping staff was in his position from the beginning of the audit period through

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September 2018. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Restricted fund Account Deficits and Financial Insolvency** – Controls appear to be working.
- **Unremitted Funds** – Condition still exists (See Finding 2019.01, *Unremitted Funds*)
- **Mismanagement of Funds Received** – Condition still exists (See Finding 2019.02, *Mismanagement of Funds Received*)
- **Mismanagement of Disbursements** – Condition still exists (See Finding 2019.03, *Mismanagement of Disbursements*)
- **Improper Administration of Checks** – Controls appear to be working.
- **Financial Reporting Non-compliance** – Condition still exists (See Finding 2019.06, *Financial Reporting Noncompliance*)
- **Lack of Vending Contracts** – Controls appear to be working.
- **Fundraiser Forms not Completed** – Condition still exists (See Finding 2019.07, *Fundraiser Forms Not Completed*)
- **Athletic Booster Club and Commingling** – Controls appear to be working.
- **Assets Purchased with SAF not on Property Inventory Listing** – Condition still exists (See Finding 2019.09, *Assets Purchased with SAF Not On Property Inventory Listing*)
- **Outstanding Preschool Tuition** - Controls appear to be working.
- **Unauthorized Credit and Warehouse Memberships** – Controls appear to be working.
- **Improper Administration of Donations and Senior Class Funds** – Condition still exists (See Finding 2019.08 & 2019.10, *Mismanagement Class and Club Accounts and Grants and Donations Not Properly Reported*)

ACKNOWLEDGEMENT

We would like to thank the acting principal and staff of Dr. Henry A. Wise High School for their cooperation and assistance during the audit.