



August 20, 2021

MEMORANDUM

To: Charoscar Coleman, Ed. D. Instructional Director
Cluster 10

Nicole Isley-McClure, Principal
High Point High School

From: Michele Winston, CPA, Director
Internal Audit

Re: High Point HS - Financial Audit for the Period January 1, 2018 through June 30, 2021

An audit of the financial records of **High Point High School** was completed for the period January 1, 2018 through June 30, 2021. 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 Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **September 20, 2021** 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; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Carletta Marrow, Ed. D., Associate Superintendent High Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

**High Point High School
School Activity Funds**

For the Period Ended June 30, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of High Point High School for the period January 1, 2018 through June 30, 2021. High Point 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 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 Funds Received;*
- *Mismanagement of Funds Disbursements;*
- *Inadequate Segregation of Duties;*
- *Administration of Contracts, and*
- *Delinquent Bank Reconciliations*

Individually or in the 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 APM 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, 2021



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit on the school activity funds (SAF) for High Point High School for the period January 1, 2018 through June 30, 2021. The audit was conducted as part of the annual audit plan.

The audit indicated 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.

All 6 findings included in this audit report occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, 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 to determine 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period January 1, 2018 through June 30, 2021. 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2022.01: Mismanagement of Funds Received

The following exceptions pertaining to the management of funds received were identified:

- ***Delinquent Deposits:*** There were **11** instances where funds received were not deposited timely. The delinquency ranged from **2 to 28** days after the initial collection by staff members.
- ***Inadequate Documentation of Funds Received:*** There were **5** instances where funds received lacked adequate supporting documentation. In those instances, an inventory report for candy sales, fundraisers reports, game report and concessions report was not included to determine whether all funds collected were remitted to the recordkeeping staff.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that,

- All funds collected must be submitted to the bookkeeper on the day of collection along with a completed MTF. The bookkeeper 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.
- Staff members collecting funds are required to complete a Monetary Transmittal Form and submit it to the bookkeeper along with the funds collected. The MTF must be entirely completed with the following information: 1) The individual who collected funds, 2) date of collection, 3) from whom it was collected, 4) the amount and form of the collection, and 5) the purpose of the collection. If additional space is needed, a Student Remittance Report, excel spreadsheet, class list, or ticket/report stubs can be used as an attachment.

The following were identified as the causes of mismanagement of funds received:

- According to the recordkeeping staff, staff members occasionally remitted collected funds after she left for the day. However, she was not aware these staff members had collected funds over a period of time before remitting the funds for deposit.
- According to the recordkeeping staff, she was not aware of all the required documentation at the time of the particular deposits.

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Delinquent deposits and inadequate documentation of funds received constitute non-compliance with BOE policies and procedures and increases the risk of loss to the school. The absence of supporting documentation also makes it impossible to verify all SAF collected was subsequently deposited.

Recommendations: The following steps must be taken to improve the management of collections:

- A. Staff members must be reminded all funds collected must be remitted to the recordkeeping staff daily for deposit. Staff members must also be reminded that they are prohibited from keeping money in their classrooms overnight. Staff must be held accountable for compliance with this requirement.
- B. The recordkeeping staff must be trained regarding requirements for adequate documentation for funds received. Care must be taken when reviewing supporting documentation submitted with the MTF to substantiate collection.

2022.02: Mismanagement of Disbursements

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

- ***Inadequate Approval:*** There were **9** instances where the principal's approval of expenditures authorization was not documented on School Funds Expenditure Forms (SFEF).
- ***Sales Tax Certificate Not Used:*** There were **4** instances where the school reimbursed staff members for expenditures incurred that included sales tax.
- ***Delinquent Payment of Invoices:*** There was **1** instance where an invoice was not paid in a timely manner which resulted in an assessment of a \$20.00 late fee for water delivery.
- ***Voided Checks:*** There were **3** instances where the signature section of voided checks were removed but not mutilated. Rather, the former recordkeeping staff retained the signature section of the voided checks.
- ***Administration of Advance Checks:*** There were **2** instances where advances were not processed in accordance with the APM. The returned receipts were less than the amounts of the checks, resulting in **\$15.41** and **\$6.63** difference respectively.

The APM, Section 4.5.3.1 provides the following provisions pertaining to the management of disbursements:

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- Prior to ordering or purchasing goods or services, a SFEEF must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.
- According to the APM, purchases made by schools and PGCPSS are tax exempt if made in the conduct of school business. Sales tax will not be reimbursed if paid when purchasing items for education purposes.
- The APM requires all invoices to be paid within 30 days of receipt or by the due date indicated on the invoice.
- According to the APM, voided checks are required to be defaced, but filed in check number order with cancelled checks.
- When situations arise requiring a check to be issued before an expense has occurred, checks issued are required to be treated as advances to staff. The staff member must sign a statement acknowledging receipt of the advance. The reconciliation of the funds from advance checks is required to take place within 2 business days from the receipt of the check. Staff members should also be required to return itemized receipts for the amount advanced.

The following were identified as the causes of mismanagement of disbursements:

- According to the recordkeeping staff, staff members are aware that pre-approval must be obtained prior to obligating the school. However, on a few occasions, staff members did not follow the procedures.
- According to the recordkeeping staff, the instances where staff members were reimbursed for sales tax occurred due to oversight on her part and occurred when she was less familiar with the requirements of the APM relative to the administration of sales tax.
- Reportedly, the delinquent payment of an invoice occurred when schools were opened twice per week. During that time there was inconsistency in the mail delivery which contributed to the tardiness of the payment.
- The inappropriate mutilation of the voided checks occurred during the tenure of the previous recordkeeping staff for which the current recordkeeping staff could not provide a reason.

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- According to the recordkeeping staff, it was an oversight to not complete the reconciliation to ensure that the advanced checks are appropriately accounted for in the 2 instances.

Mismanagement of disbursements constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff. The lack of adequate pre-approval can result in inappropriate purchases and accounts being overspent. The students are not deriving the full benefits of the resources when SAF is used to pay for taxes for which the school is exempt and when staff members are not held accountable for reconciling advance payments. Also, untimely payment of vendor invoices has resulted in the school being assessed a late fee. Inappropriate voiding of checks exposes the school to check fraud.

Recommendation: The following steps must be taken to improve the management of disbursements:

- A. The principal and recordkeeping staff should implement internal controls over the approval of expenditures. Staff members must be reminded that, the school may deny them reimbursement if they do not obtain approval from the principal prior to obligating the school's resources.
- B. The recordkeeping staff and principal must remind staff members of the sales tax exempt status of PGCPS. The recordkeeping staff must carefully review the store receipts to exclude sales tax paid prior to processing reimbursements requests.
- C. The recordkeeping staff should create a system to track periodic payments such as for water delivery. A spreadsheet or calendar which can be referenced periodically may be helpful when there is interruption of the normal school schedule.
- D. The recordkeeping staff should implement internal controls to ensure that, staff members return all receipts and complete a reconciliation of advance checks and remit any unspent amounts via a MTF deposit.

2022.03: Inadequate Segregation of Duties

The recordkeeping staff collected funds from 4 students for yearbooks and caps and gowns as documented on the receipts. The deposits were included on MTF #419828 which was signed by a different staff member, then verified by the recordkeeping staff.

The APM states that teachers and other school staff (not the Bookkeeper) are the primary recipient of funds and are responsible for initiating the financial documentation process. Staff members receiving money from students and others are responsible for documenting the collection on a MTF. Further, the recordkeeping staff is responsible for counting that funds,

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verifying the total on the student remittance report and ensuring that it agrees with the MTF and the actual funds remitted.

According to the recordkeeping staff, she was aware that she could not complete a MTF but was not aware that prohibition begins with collecting the funds and issuing a receipt.

The internal control system was compromised and the risk of misappropriation of funds increased when the recordkeeping staff circumvented the internal controls regarding funds received.

Recommendation: The recordkeeping staff must continue to read the APM to appraise herself with the policies and procedures relative to the administration of funds received. The recordkeeping staff must be held accountable for compliance.

2022.04: Administration of Contracts

There was **1** instance where the recordkeeping staff signed a contract on behalf of the school. The contract was for the services of a Disc Jockey.

According to the APM, the principal, as the agent of the BOE, must approve and sign all agreements and contracts entered into for all school activities. The authority granted to principals shall not be delegated.

According to the recordkeeping staff, she was not aware that she could not sign this particular contract.

The school could potentially become obligated for goods or services that are not in the students' interest when staff members enter into contractual agreement in the name of the school.

Recommendation: The recordkeeping staff must continue to read the APM and related Administrative Procedures to appraise herself with the policies and procedures relative to the administration of contracts. The recordkeeping staff must be held accountable for compliance.

2022.05: Delinquent Bank Reconciliations

There were **9** instances where the monthly bank reconciliations were not performed timely. The bank reconciliations were completed between **30** and **60** days delinquent.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled within 7 days of receipt of the bank statement. The principal is also required to conduct the review of bank reconciliations by the 15th day of each month.

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According to the recordkeeping staff, she was not initially aware that she could obtain bank statements directly from the bank. Also, when schools re-opened after COVID closings, the mail was unreliable. She also had to get caught up with other responsibilities which affected the timely completion of monthly bank reconciliations. Sometimes, the principal's workload also contributed to late review of the financial reports.

Delinquent reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted.

Recommendation: The principal must coordinate with the bank to obtain online access to the school's bank statements and make them available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations. The principal must hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline. The principal must also prioritize the review of monthly bank reconciliations.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for High Point High School was issued for the period ended December 31, 2017. The current principal was in her current position but the financial secretary was not in her position at that time. The following findings were noted as a result of the last audit and the current status is indicated below:

1. **Mismanagement of Disbursements** - *Condition still exists – See Finding 2022.02 regarding Mismanagement of Disbursements.*
2. **Mismanagement of Funds Received** - *Condition still exists – See Finding 2022.01 regarding Mismanagement of Funds Received.*
3. **Senior Class Budgeting** - *Condition was not noted during this audit*
4. **Non-Compliance with Administrative Procedure 3542.44** - *Condition was not noted during this audit*
5. **Inadequate Financial Reporting** - *Condition was not noted during this audit*
6. **End-of-Year Monetary Transmittal Forms Envelope Submission Procedures Not Followed** - *Condition was not noted during this audit*

ACKNOWLEDGEMENT

We would like to thank the principal and staff of High Point High School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department**

School/Office: High Point HS

Response Date September 20, 2021

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2022.01: Mismanagement of Funds Received</u>	<p>The following steps must be taken to improve the management of collections:</p> <p>A. The staff members must be reminded that all funds collected must be remitted to the recordkeeping staff daily for deposit. Staff members must also be reminded that they are prohibited from keeping money in their classrooms overnight. Staff must be held accountable for compliance with this requirement.</p> <p>B. The recordkeeping staff must be trained regarding requirements</p>		<ul style="list-style-type: none"> Updated In the employee handbook. Information will be shared in the September Staff Meeting (9/15/21) Revisit again at the beginning of 2nd semester during the February staff meeting (2/2/22) Recordkeeping staff will receive ongoing training as needed in 	<p>9/15/21</p> <p>2/2/22</p> <p>Ongoing for SY22</p>	Partially Implemented

Principal Signature: Lori Taylor

Date: 9/14/2021

		for adequate documentation for funds received. Care must be taken when reviewing supporting documentation submitted with the MTF to substantiate collection.		order to maintain compliance status.		
2.	<u>2022.02: Mismanagement of Disbursements</u>	<p>The following steps must be taken to improve the management of disbursements:</p> <p>A. The principal and recordkeeping staff should implement internal controls over the approval of expenditures. Staff members must be reminded that the school may deny them reimbursement if they do not obtain approval from the principal prior to obligating the school's resources.</p> <p>B. The recordkeeping staff and principal must remind staff members of the sales tax exempt status of PGCPs. The recordkeeping staff must carefully review the store receipts to exclude sales tax paid prior to</p>		<ul style="list-style-type: none"> Updated In the employee handbook. Information will be shared in the September Staff Meeting (9//15/21) Revisit again at the beginning of 2nd semester during the February staff meeting (2/2/22) Recordkeeping staff will share PGCPs tax exempt information with staff for approved purchases 	<p>9/15/21</p> <p>2/2/22</p> <p>Ongoing for SY22</p> <p>9/17/21; Ongoing for SY22</p>	<p>Implemented</p> <p>Partially Implemented</p> <p>Implemented</p> <p>Partially Implemented</p>

Principal Signature: Lori Taylor

Date: 9/14/2021

		<p>processing reimbursements requests.</p> <p>C. The recordkeeping staff should create a system to track periodic payments such as for water delivery. A spreadsheet or calendar which can be referenced periodically may be helpful when there is interruption of the normal school schedule.</p> <p>D. The recordkeeping staff should implement internal controls to ensure that staff members return all receipts and complete a reconciliation of advance checks and remit any unspent amounts via a MTF deposit.</p>		<ul style="list-style-type: none"> An internal spreadsheet will be created for recordkeeping staff to track payments inclusive of the following: date, item/vendor, amount paid Staff will reconcile advancements and remit a MTF the next business day after the approved purchases 	<p>Ongoing for SY22</p> <p>Ongoing for SY22</p>	<p>Partially Implemented</p>
3.	<p><u>2022.03:</u> <u>Inadequate Segregation of Duties</u></p>	<p>The recordkeeping staff must continue to read the APM to appraise herself with the policies and procedures relative to the administration of funds received. The recordkeeping staff must be held accountable for compliance.</p>		<ul style="list-style-type: none"> Recordkeeping staff will continuously read the APM and receive PGCPs trainings as needed in order to 	<p>Ongoing for SY22</p>	<p>Partially Implemented</p>

Principal Signature: Lori Taylor

Date: 9/14/2021

				maintain compliance status		
4.	<u>2022.04: Administration of Contracts</u>	The recordkeeping staff must continue to read the APM and related Administrative Procedures to appraise herself with the policies and procedures relative to the administration of contracts. The recordkeeping staff must be held accountable for compliance.		<ul style="list-style-type: none"> Recordkeeping staff will continuously read the APM and receive PGCPs trainings as needed in order to maintain compliance status 	Ongoing for SY22	Partially Implemented
5.	<u>2022.05: Delinquent Bank Reconciliations</u>	The principal must coordinate with the bank to obtain online access to the school's bank statements and make them available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations. The principal must hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline. The principal must also prioritize the review of monthly bank reconciliations.		<ul style="list-style-type: none"> The principal will coordinate with the bank during the week of 9/13/21 in order to obtain online access The principal will establish standard bi-weekly meetings (more if needed) in order to hold recordkeeping staff accountable for 	9/17/21 First and third Friday of each month during SY22	Implemented Implemented

Principal Signature: Lori Taylor

Date: 9/14/2021

				adhering to reporting deadlines		
				<ul style="list-style-type: none">The principal will review monthly bank reconciliations with recordkeeping staff during established bi-weekly meetings	First and third Friday of each month during SY22	

Principal Signature: Lori Taylor

Date: 9/14/2021