

August 8, 2022

MEMORANDUM

To: Ed Ryans, Ed. D., Instructional Director
Cluster 11

Michael Gilchrist Ed. D., Principal
Crossland High School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period March 1, 2020 to March 31, 2022

An audit of the financial records of **Crossland High School** was completed for the period March 1, 2020 to March 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 Fund (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 **September 9, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address internal.audit@pgcps.org. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org and Katrina Greene, School Activity Funds 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
Joeday Newsom, Esq., Staff Director, Board of Education Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

Crossland High School School Activity Funds

For the Period Ended March 31, 2022

**Crossland High School
School Activity Funds
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For Period Ended March 31, 2022**

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**Crossland High School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Crossland High School for the period March 1, 2020 to March 31, 2022. Crossland High 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*
- *Mismanagement of Disbursements*
- *Retention of Financial Records*
- *Restricted Fund Account Deficits*
- *Administration of Vending Machine Contract*

This finding 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 March 31, 2022.



Michele Winston, CPA
Director, Internal Audit

**Crossland High School
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For Period Ended March 31, 2022**

SUMMARY

Internal Audit completed an audit of the student activity funds (SAF) for Crossland High School for the period March 1, 2020 to March 31, 2022. The audit was conducted as part of the annual audit plan.

This audit report includes **5** findings that 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. 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 March 1, 2020 to March 31, 2022. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Several documents were not on file for review. (*See **2023.03 Record Retention***)

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:

2023.01: Mismanagement of Funds Received

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

- A. *Untimely Deposits* - There were **9** instances where funds received were held between **4 to 22** days before they were deposited. Staff members did not remit funds to the recordkeeping staff timely in most instances. The recordkeeping did not deposit the funds with the bank timely in other instances.
- B. *Unrecorded Monetary Transmittal Form Numbers* - There were **10** instances in FY 2022 where MTFs were not recorded in SFO by MTF numbers. Instead, the recordkeeping staff assigned numbers haphazardly to MTFs while processing.
- C. *Year-End Transmittal Process Not Being Followed* - There were **2** instances where staff members did not submit both yellow and pink remittances of MTFs processed. Either the pink or yellow MTF remittance was missing in each instance.

The following are the criteria as it pertains to management of collections:

- A. The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that, bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight. In addition, staff members are prohibited from holding funds overnight.
- B. The MTF is a three-part, pre-printed, pre-numbered, self-carboned PGCPs form that is available from the Bookkeeper. Each school is issued unique, numerically sequenced packages of MTFs by Internal Audit, as needed. The Bookkeeper is responsible for accounting for all forms issued to schools. The sequential numbering serves as a control mechanism to ensure that MTFs are properly accounted for.
- C. It is the responsibility of staff members to maintain and submit both pink and yellow MTF remittances generated during the year to the principal or a designated administrator during the year end close-out process. The remittance copies are required to be submitted in year-end envelopes that are sealed and signed across the seal.

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The recordkeeping staff provided the following explanations for the mismanagement of funds received:

- A. Some staff members failed to remit funds collected until after collecting most of the anticipated funds. Funds were not timely deposited by the recordkeeping staff either because the amount collected was less than \$250.00 or funds collected were other than currency.
- B. According to the recordkeeping staff, prior to training, it was assumed that the MTF numbers would be automatically generated similar to checks.
- C. According to the school's administrators, staff members were made aware of the procedure for retaining and submitting MTF envelopes at the end of each year. However, 2 teachers failed to follow the process.

Delinquent deposits constitute non-compliance with BOE policies and procedures and increase the risk of loss and fraud. In addition, funds received are not immediately available for student use when deposits are delayed. Failure to enter the assigned MTF number sequence in SFO impacts the accuracy of accounting records for funds received. Teachers' failure to retain and submit both pink and yellow MTF remittance compromises the audit trail for determining that all funds collected were subsequently remitted and deposited.

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

- A. The recordkeeping and other staff members must be reminded through documented communication of the specific requirements for timely deposits. The principal should provide oversight and hold the recordkeeping staff and staff members accountable for ensuring that funds are remitted timely and that bank deposits are being performed promptly.
- B. The recordkeeping staff has since received training and MTFs are currently being accurately recorded in SFO. The recordkeeping staff should continue this practice.
- C. The staff members must be reminded of their responsibility to maintain and submit both pink and yellow MTF remittances to the designated administrator as required.

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2023.02: Mismanagement of Disbursements

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

- A. ***Inadequate Principal Approval of Disbursements*** - There were **9** instances where staff members did not obtain the principal's approval prior to purchasing items on behalf of the school.
- B. ***Unrecorded Checks*** - There were **4** instances where check numbers #22249, #22454, #22500 and #22505 were not recorded in SFO.
- C. ***Administration of Voided Checks*** - There were **4** instances where the signature line of the voided checks were not removed as part of the voided check process.

The following are the criteria as it pertains to management of disbursements:

- A. APM for School Activity Funds **Section 4.5.3.1, "Pre-Approval by the Principal"** states that, prior to ordering or purchasing goods or services; a School Funds Expenditure Form must be completed and signed by the Principal. Schools and their Student Activity Funds 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.
- B. The APM, Section 2.0, *Internal Control Principles and Objectives (Exhibit A)*, requires checks used for SAF expenses to be pre-numbered. This provides reasonable assurance that all valid transactions and events have been recorded and all checks have been accounted for. All school checks require a) the registered name of the account and address of the school, b) two signature lines, and c) consecutive check numbering.
- C. According to APM Section 4.5.3.2 (5) *Summary of Check Disbursement Procedures* requires that voided checks are defaced, but filed in check number order.

The following causes of mismanagement of funds disbursed were identified:

- A. The current recordkeeping staff noted that staff members have been trained on the expenditure approval process. However, some staff members did not always follow the procedures for expending SAF.
- B. According to the current recordkeeping staff, she was not aware that all checks, including voided checks and incorrectly printed checks are required to be recorded in SFO.

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- C. The recordkeeping staff indicated that she was not conversant with the void check process during the audit period.

Inadequate approval of expenditures can financially obligate the school for goods and services for which funds may not be available and may lead to insolvency of the school. Inadequate approval of expenditures also exposes the school to fraud, waste and abuse of its resources. Listing of checks in the accounting system helps ensure accountability for all transactions and supports accurate financial reporting. Inappropriate administration of the void check process exposes the school to unauthorized check use and negotiation.

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

- A. All staff members must be reminded through written communication of the requirement to obtain the principal's approval prior to obligating the school financially. Staff members should also be reminded of their personal liability that can result from financial obligations entered into on behalf of the school without the principal's approval.
- B. The recordkeeping staff must ensure that all checks are recorded in School Funds Online and that they are identified by check number. This includes voided checks.
- C. The voided check procedures have been discussed with the recordkeeping staff. The recordkeeping staff must review the APM and follow the guidance provided for administering checks.

2023.03: Retention of Financial Records

Certain financial records for FY2020 could not be located for review during the audit. The following is a list of missing financial records:

- 4 Monetary Transmittal Form Remittances (pink and yellow)
- 17 Cash disbursements (including supporting documentation) and
- 7 voided checks.

According to Section 6.12 of Accounting Procedural Manual, Record Retention, All SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.

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The school experienced turnover in the recordkeeping staff position which resulted in some of the financial records under the previous recordkeeping staff being lost.

Internal Audit was unable to verify whether the related transactions were processed in accordance with the requirements of the APM because of the unavailability of the missing documentation.

Recommendation: The principal and recordkeeping staff must implement an adequate records management system that ensures all financial records are properly compiled, filed and are maintained until they are audited or required for review by any approved individual or organization in accordance with the APM.

2023.04 Deficits in Restrict Fund Accounts

The following **14** restricted fund accounts had deficits as of March 31, 2022 totaling **(\$34,998.80)**. As documented in the school's previous audit, which ended 2/29/2020, most of these deficits originated prior to the tenure of the current principal. The current deficits are as follows:

Account Number	Description	Amount
304.20	Class of 2020-Dues	(\$3,788.21)
304.24	Class of 2020-Fundraiser	(\$5,148.67)
304.82	Class of 2018-Fundraisers	(\$1,635.59)
304.94	Class of 2019-Activites	(\$1,401.48)
313.00	Marching Band	(\$42.00)
316.00	National Honor Society	(\$570.79)
327.00	Choir	(\$61.00)
480.00	Yearbook	(\$8,039.89)
510.00	Fam and Con Science Allot	(\$169.21)
520.00	Business Ed	(\$108.20)
535.00	Chinese	(\$651.65)
591.00	Skills USA	(\$194.52)
450.40	PSA-Clothing	(\$503.77)
450.60	PSA-Clothing	(\$12,683.82)
Total		(\$34,998.80)

The APM, Section 4.3 *Fund Accounts*, states that restricted funds are those funds that are raised by a specific group and/or for a specific purpose and are required to be used exclusively for that group and/or purpose and not for the general needs of the school. 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.

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The reasons provided for the most significant deficits as reported in the previous audit report are as follows:

- Class of 2018 Fundraisers - Reportedly, the acting principal allowed the Class of 2018 to overspend on class activities. During this period the two acting principals and now previous recordkeeping staff did not monitor the availability of funds in the account prior to approving expenditures.

- Class of 2019 Activities - The current principal and previous recordkeeping staff did not monitor spending in the Class of 2019 accounts closely to ensure that the account was adequately funded to pay for related expenditures. The current principal purchased jackets and scarves to be sold in the school store. The items did not sell as anticipated, as such; the school was unable to recover the cost of the merchandise. This was the current principal's first assignment with PGCPs as a high school principal at the time and he was not familiar with the specific accounts activities.

- PSA Clothing - The current principal inherited a large deficit of (\$12,683.82) in the PSA fund account prior to start of his tenure on July 1, 2018. The current principal purchased food and staff shirts, which increased the amount of the current deficit to (\$13,187.59). Reportedly, the current principal was not aware of the prohibition from spending from the PSA fund account while the account was in a deficit.

Overspending in restricted fund accounts results in insufficient funds being available to administer student activities. Funds are not available for the principal to adequately fund the educational needs of the school. Proper financial management has not occurred and could lead to further deficits and insolvency for the school.

Recommendations: The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits that existed prior to his tenure. The principal should ensure that sponsors are not allowed to exceed their account balance. Also, adequate planning and budgeting should occur to ensure that the school's resources are used properly and to prevent further deficits.

2023.05: Administration of Vending Machines

The school operates 5 vending machines. However, a current contract for vending services was not on file.

The APM Section 9.8, *Vending Machine Sales*, requires all schools with vending machines to have a signed contract stipulating commissions due the school and frequency that these commissions are remitted. The contract term cannot exceed one year.

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Failure to have a current signed vending contract was an oversight on the part of the school administration.

The school may not be deriving maximum benefits from the operation of the vending machines.

Recommendation: The principal must obtain and retain a signed contract for the vending machines on its premises. The contract must stipulate commissions due the school and frequency with which these commissions are remitted. The contract term must not exceed one year as required by the APM. The principal should seek assistance from Purchasing and Supply Services if necessary.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Crossland High School was issued for the period ended February 29, 2020. During that period, the principal was in this current position; however, the recordkeeping staff's tenure began 2020. There were 7 reported finding in the previous audit of which 5 are repeated in this current report. The following findings were noted as a result of that audit and the current status is indicated.

- **Mismanagement of Funds Received** - Condition still exists. See 2023.01 regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** - Condition still exists. See 2023.02 regarding *Mismanagement of Disbursements*.
- **Delinquent Financial Reporting-** Condition was not noted during this audit
- **Deficits in Restricted Fund Accounts** - Condition still exists. See 2023.04 regarding *Deficits in Restricted Fund Accounts*.
- **Administration of Voided Checks-** Condition still exists- See 2023.02 regarding *Mismanagement of Disbursements*.
- **Year-End Monetary Transmittal Forms Submission Process** - Condition still exists. See 2023.03 regarding *Retention of Financial Records*.
- **Fundraiser Reports Not Completed** - Condition was not noted during this audit.

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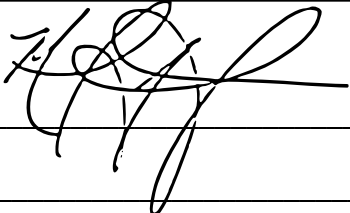
ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Crossland HS
Response Date September 09, 2022**

	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 steps must be taken to improve the management of funds received:</p> <p>A. The recordkeeping and other staff members must be reminded through documented communication of the specific requirements for timely deposits. The principal should provide oversight and hold the recordkeeping staff and staff members accountable for ensuring that funds are remitted timely and that bank deposits are being performed promptly.</p> <p>B. The recordkeeping staff has since received training and MTFs are currently being accurately recorded in SFO. The recordkeeping staff should continue this practice.</p>	Partially Concur	<p>Principal nad bookkeeper have developed a system for prompt deposits. School staff have also been trained on the process on MTFs.</p> <p>Bank deposits are made daily based on the need.</p> <p>All Staff have been provided envelopes for the collection on MTFs.</p>	Aug 22	Implemented

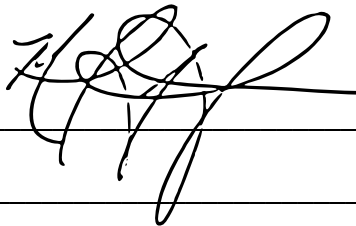
Principal Signature _____



Date 9/15/22 _____

		C. The staff members must be reminded of their responsibility to maintain and submit both pink and yellow MTF remittances to the designated administrator as required.				
2.	<u>2023.02:</u> <u>Mismanagement</u> <u>of Disbursements</u>	<p>The following steps must be taken to improve the management of disbursements:</p> <p>A. All staff members must be reminded through written communication of the requirement to obtain the principal's approval prior to obligating the school financially. Staff members should also be reminded of their personal liability that can result from financial obligations entered into on behalf of the school without the principal's approval.</p> <p>B. The recordkeeping staff must ensure that all checks are recorded in School Funds Online and that they are identified by check number. This includes voided checks.</p> <p>C. The voided check procedures have been discussed with the recordkeeping staff. The recordkeeping staff must review the APM and follow the guidance provided for administering checks.</p>	Concur	School staff have been reminded and presented with the proper procedures for check requests. Staff have been instructed in writing that failure to comply with the established protocols will result in non reimbursement.	Aug 22	Implemented

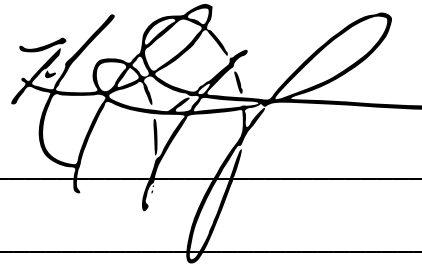
Principal Signature _____



Date 9/15/22

3.	<u>2023.03:</u> <u>Retention of</u> <u>Financial Records</u>	The principal and recordkeeping staff must implement an adequate records management system that ensures all financial records are properly compiled, filed and are maintained until they are audited or required for review by any approved individual or organization in accordance with the APM.	Partially Concur	Bookkeeper has been provided with the furniture and binders required to comply with this directive. Bookkeeper has cleared binders and books for recordkeeping	Aug 22	Implemented
4.	<u>2023.04 Deficits in</u> <u>Restrict Fund</u> <u>Accounts</u>	The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits that existed prior to his tenure. The principal should ensure that sponsors are not allowed to exceed their account balance. Also, adequate planning and budgeting should occur to ensure that the school's resources are used properly and to prevent further deficits.	Concur	Principal has met with Sponsors of classes for budgeting of the class events. Prices and income will be analyzed.	Aug 22	Implemented
5.	<u>2023.05:</u> <u>Administration of</u> <u>Vending</u> <u>Machines</u>	The principal must obtain and retain a signed contract for the vending machines on its premises. The contract must stipulate commissions due the school and frequency with which these commissions are remitted. The contract term must not exceed one year as required by the APM. The principal should seek assistance from Purchasing and Supply Services if necessary.	concur	Principal and bookkeeper have secured a new vending machine company and contract for the school. New machine have been delivered and old machine have been removed.	Sept 22	Implemented

Principal Signature _____



Date 9/15/22