


August 25, 2020

**MEMORANDUM**

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

Sheree Savoy, Acting Principal  
Central High School

From: Michele Winston, CPA,   
Director Internal Audit

Re: Financial Audit for August 1, 2016 to June 30, 2020

An audit was completed on the financial records of **Central High School** for the period August 1, 2016 to June 30, 2020. The audit indicates that the school's internal controls require significant improvement to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **September 25, 2020** 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](mailto:internal.audit@pgcps.org). A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org).

Enclosure

cc: Alvin Thornton, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Carletta Marrow, Ed. D, Associate Superintendent, High Schools  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Suzann King, Esq., Executive Director, Board of Education  
Janice Walters-Semple, CPA, Internal Audit Supervisor  
Dan Reagan, Internal Auditor II

**Internal Audit Report**

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Student Activity Funds**

**For the Period Ended June 30, 2020**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Central High School for the period August 1, 2016 to June 30, 2020. Central 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 findings:

- *Inappropriate Use of Staff Advances;*
- *Mismanagement of Disbursements;*
- *Mismanagement of Funds Received;*
- *Mismanagement of Monthly Reporting;*
- *Year-End Monetary Transmittal Form Procedures Not Followed;*
- *Voided Checks Not Properly Administered;*
- *Record Retention;*
- *Restricted Account Balances Not Properly Submitted to the Board;*
- *Fundraiser Forms Not Completed;*
- *Club Budgets Not Developed; and*
- *Management Oversight*

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 deviations 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 June 30, 2020.

Michele Winston, CPA, Director   
Internal Audit

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**SUMMARY**

The Internal Audit Department completed an audit of the student activity funds (SAF) for Central High School for the period August 1, 2016 to June 30, 2020.

The audit indicates that the school's internal controls require significant improvement to be in 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff, for the period August 1, 2016 to June 30, 2020. In addition, 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:

**2021.01 Inappropriate Use of Staff Advances**

There were **10** instances where checks totaling **\$1,288.69** were issued to staff members prior to expenditures being incurred. These advances to the staff members were not accompanied by signed statements by the staff members acknowledging receipt of the advance. Further, the staff members did not return receipts to account for funds advanced. The financial recordkeeping staff also incorrectly recorded each advance as a “Reimbursement” in the School Funds Online (SFO) accounting system.

The APM, Section 4.5.3.1, *Cash Disbursements Procedures*, states that all checks must have itemized documentation attached to the School Funds Expenditure Form (SFEF) that supports the amount of the check. On occasion, a situation may arise that requires a check to be issued before an expense has occurred. The principal should minimize the frequency of such occurrences in order to enhance control and promote orderly record keeping. These situations are to be treated as advances to staff, who must sign a statement acknowledging receipt of the advance. A stipulation should also require return of itemized receipts for the amount advanced. If less than the full amount of the check is documented on receipts, the staff member must return the unused funds to the school, complete a MTF, and remit the difference to the bookkeeper. Accounting for these funds should be completed within two business days.

The APM, Section 3.2.2, *Bookkeepers/Financial Secretaries*, also states that the bookkeeper or financial secretary is responsible for accurately recording and reporting the school’s financial transactions.

The financial recordkeeping staff stated that there are several staff members who did not want to spend their own money and subsequently get reimbursed for school purchases. Therefore, advances were made to staff on a fairly regular basis. The financial recordkeeping staff and the former principal were not aware of the APM’s requirements for staff advances, and therefore did not know that these situations should be limited and that staff members were required to sign acknowledgement statements. The financial recordkeeping staff was also unaware that there was an option to reflect expenditures as advances in SFO.

The financial recordkeeping staff was aware that receipts needed to be returned by staff and stated that she followed up with staff on several occasions to pursue the receipts. Reportedly, the issue was communicated to the former Principal, but actions were rarely taken. The former

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principal stated that she did not recall the financial recordkeeping staff notifying her of this issue. However, both the former principal and financial recordkeeping staff acknowledged that their communication was lacking on a number of issues pertaining to the administration of the SAF.

The regular practice of providing advances to staff without acknowledgement statements and without requiring receipts to be returned presents a significant financial risk to the school. Although the financial recordkeeping staff stated that they were confident that items were always purchased, there is no evidence to substantiate that amounts advanced to staff members were appropriately used.

Further, because the financial recordkeeping staff failed to record these expenditures as advances, the aggregate amount of all funds advanced to staff could not be determined for the audit period. Although the 10 instances noted during the audit totaled **\$1,288.69**, the amount of funds advanced without subsequent verification of purchase could be much larger.

**Recommendation:** The current principal and financial recordkeeping staff should immediately notify staff that advances will only be used in extenuating circumstances. When those situations arise, the financial recordkeeping staff should ensure that staff members sign acknowledgment of the advances, and that they are appropriately recorded in SFO. Staff should be required to return receipts within 2 days to facilitate reconciliation. Any delays in the return of receipts should immediately be reported to the principal. Each staff member requesting advances must be held accountable for compliance with the requirements. Financial recordkeeping staff should be held accountable for prompt reconciliation of advances.

### **2021.02 Mismanagement of Disbursements**

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

- A. ***Support for Reimbursements and Refunds:*** There were **9** instances where support was not provided to verify the amounts of expenditures in addition to the instances of advances described in Finding 2021.01. There were **4** separate instances where the support provided did not match the check amounts. There were also **3** instances where copies of receipts were provided instead of the original. ***(This condition also noted in previous audit as of July 31, 2016)***
- B. ***Approvals for Expenditures:*** There were **29** instances where the former Principal did not provide pre-approval prior to the purchase of goods or services. SFEFs were not properly completed by the financial recordkeeping staff to clarify that funds were available prior to the former principal's pre-approval in **6** instances. The former

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principal did not provide final approval in **6** other instances. The pre-approval and final approval were performed by the assistant principal, rather than the former principal in **1** instance. (*This condition also noted in previous audit as of July 31, 2016*)

- C. **Unapproved Vendors:** There were **5** instances where reimbursements were made to staff members who had made payments to non-approved PGCPs vendors.
- D. **Contract Signature:** A payment was made to a disc jockey in accordance with a contract signed by the senior class sponsor, rather than the former principal in **1** instance.

The APM, Section 4.5.3, *Cash Disbursements*, includes the following provisions:

- A. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents are original cash register receipts, invoices, bills of sale, etc. Examples of documents that are not itemized invoices or receipts includes credit card receipts, statements, order confirmations, price quotes, and packing slips.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The SFEF has a section for the financial recordkeeping staff to indicate the amount of funds available and to verify that the vendor is Board-approved. When 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. A copy of the designation should be sent to the Instructional Director and the Accounting and Financial Reporting Office.
- C. All checks must be written to an approved/active vendor in School Funds Online.

Administrative Procedure 5132.2 states that the Principal is the only school employee with contracting authority.

As it pertains to the lack of support for reimbursements, the financial recordkeeping staff stated that staff members were not always diligent about providing receipts in accordance with the APM (*See Finding 2021.01*). Reportedly, she was not aware that refunds could be supported by records of the initial collection.

The financial recordkeeping staff and former principal both stated that staff had been trained to wait for written pre-approval before purchasing goods or services. However, the financial recordkeeping staff and former principal were not diligent in developing a procedure to effectively enforce this requirement. Reportedly, the financial recordkeeping staff was often unable to reach the former principal to obtain timely SFEF approvals or to properly notify her of non-compliances by staff. Both the former principal and financial recordkeeping staff



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acknowledged that their communication was lacking on a number of issues pertaining to the administration of the SAF. In addition, several expenditures were made without pre-approval or approval in late FY 2020 due to complications resulting from the COVID-19 pandemic.

The financial recordkeeping staff stated that in the instances of unapproved vendors, staff members would not always use the vendors stated during the pre-approval process. Therefore, the financial recordkeeping staff's verification of Board approved vendors became irrelevant. The financial recordkeeping staff and former principal did not communicate effectively to ensure staff members made purchases at the locations stated on the SFEF.

The former principal and financial recordkeeping staff were not aware that a letter of delegation was required for the assistant principal to provide approval of expenditures in the principal's absence.

The senior class sponsor who signed the contract is no longer with the school and could not be reached to determine why he signed the disc jockey contract on behalf of the school.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically, the lack of support for expenditures fails to provide validation that school funds were used appropriately. The lack of proper approvals and contract signatures can lead to inappropriate expenditures and insolvent fund accounts. The use of unapproved vendors increases the fraud risk to PGCPs.

**Recommendation:** The current principal and financial recordkeeping staff should jointly develop and document specific procedures for administering SAF expenditures. Responsibilities for the principal, financial recordkeeping staff, and staff members should all be included to ensure that expenditures are properly approved and supported in accordance with APM requirements. Once developed, the procedures should be provided to the staff members with accompanying training to ensure compliance.

The financial recordkeeping staff and the current principal should be in consistent communication regarding the enforcement of the new procedures.

The current principal should provide a letter of delegation to an assistant principal for pre-approval duties if an extended absence is anticipated, in compliance with the APM.

**2021.03 Mismanagement of Funds Received**

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

- A. ***Delinquent Deposits:*** There were **32** instances where deposits were not made timely following initial collection of funds. Deposits were made up to 71 days after initial

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- collection by the staff members. (*This condition also noted in previous audit as of July 31, 2016*)
- B. **Lack of Proper Remittance:** There were **13** instances where remittance was not sufficient to support the deposit amount. The remittance was not complete to include an attached remittance form, a Mandatory Ticket Form, or a vending commission detail in **11** instances. There were also **2** instances where remittance information did not match the deposit amounts. (*This condition also noted in previous audit as of July 31, 2016*)
- C. **Inaccurate Accounting:** There were **6** instances where funds received were not accounted for in the most relevant account in SFO. (*This condition also noted in previous audit as of July 31, 2016*)
- D. **Sales Tax Not Collected:** Sales Tax was not properly accounted for with sales of SGA t-shirts during the FY 2020 school year.
- E. **Unreported Grants:** Grants received annually for the French Immersion program during FY 2018, FY 2019 & FY 2020, totaling **\$12,535.70**, were not reported to the Grants Financial Management Office (GFMO) as required.

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

- All funds collected must be submitted to the bookkeeper on the day of collection, along with a completed MTF. The bookkeeper must make deposit of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- The MTF must be completely 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.

The APM, Section 7.4.2, *Sporting Events and Ticketing*, states that upon satisfactory completion of all sporting events, the athletic director should report to the principal and turn over all funds collected (along with an MTF and completed Mandatory Ticket Report) to the school's bookkeeper for deposit in the appropriate Interscholastic Athletics account.

The APM, Section 3.2.2, *Bookkeepers/Financial Secretaries*, states that the bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.

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The APM, Section 8.3, *Sales Tax Procedures*, states that when a school engages in the resale of items unrelated to fundraising, adherence to Maryland Comptroller of the Treasury regulations is required.

The APM, Section 9.3, *Accounting for Grants and Donations*, states that all grants and donations made directly to schools, irrespective of amount, should be reported to the Grants Financial Management Office (GFMO) on a School Grant Reporting Form.

The former principal stated that she and the financial recordkeeping staff have provided a number of trainings to staff on the correct procedures for collecting and remitting funds. Specifically, stating that all funds collected needed to be remitted to the bookkeeper each day. However, staff members did not always comply. The financial recordkeeping staff stated that notification was provided to the former principal of the noncompliance. The former principal stated that she did receive these notifications and had conversations with a number of staff members. She stated that she could have been more effective in enforcing these requirements to ensure full compliance.

The financial recordkeeping staff was not aware that Mandatory Ticket Reports and that vending commission detail were required remittance support. The financial recordkeeping staff also was not always diligent to ensure that student remittance reports were included or that remittance information was reconciled to match the deposit amount. Further, they were not always diligent to ensure that funds were recorded in the correct sub-account. For instance, funds indicated for senior class activities were placed into senior class dues. In addition, entire vending commission checks were placed in the faculty vending account, instead of being split between faculty and student vending.

The financial recordkeeping staff was not clear on the procedures for collecting sales tax. Most resold items at the school are part of fundraisers and therefore exempt from sales tax. Therefore, it did not occur to the financial recordkeeping staff to collect sales tax on the SGA t-shirt resale.

The financial recordkeeping staff was not aware of the requirement to report grant funds to the GFMO.

The lack of effective internal controls over collections constitute non-compliance with BOE policies and procedures and have increased the financial risk to the school. Collections not remitted timely to the financial recordkeeping staff are at unnecessary risk of being lost or stolen. The lack of proper remittance information also negates the audit trail for ensuring that all funds were properly deposited.

The lack of proper accounting can impact the benefit of funds to the student body. For instance, the accounting of student vending revenue in faculty vending results in student funds being improperly transferred to the Principal Sponsored Activities (PSA) account for staff usage. The lack of accounting for sales tax represents non-compliance with Maryland tax code.

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GFMO is responsible for accounting for all grants received by PGCPS and assisting schools as needed. Without proper notification, GFMO reporting to the BOE is incomplete, and there is an increased risk of mismanagement of the grant funds.

**Recommendation:** The current principal and financial recordkeeping staff should continue to train staff on the requirements for timely remittance of funds. The financial recordkeeping staff should notify the Principal of all instances of non-compliance for controls to be properly enforced.

The financial recordkeeping staff should ensure that full and accurate remittance documentation is included with all MTFs and that all deposits are recorded accurately, to include sales tax when necessary.

The financial recordkeeping staff should ensure that all grant funds received are reported to the GFMO.

**2021.04 Mismanagement of Monthly Reporting**

Bank reconciliations reviewed were not completed and/or approved timely in **9** of the 12 instances reviewed. There were **6** instances where bank reconciliations were not prepared by the 15<sup>th</sup> of the following month. In addition, **5** bank reconciliations were signed by the former principal after the 15<sup>th</sup> of the following month while **4** bank reconciliations were not signed by the former principal at all. (*This condition also noted in previous audit as of July 31, 2016*)

The APM, Section 5.0, *Monthly Reconciliation and Financial Reporting*, states that the purpose of the bank reconciliations is to ensure that differences between the bank and SFO balances are due to timing, rather than error. Further, it states that the principal should receive and approve the package of reports, to include the bank reconciliation and the Insolvency Report, by the 15<sup>th</sup> of each month.

Communication between the former principal and the financial recordkeeping staff was not effective to ensure compliance with the financial reporting requirements during the audit period. Specifically, they were not always able to find a time to meet to conduct the review and approval of the reconciliations by the 15<sup>th</sup> of the subsequent month except for months that represented the final month of the trimester and submission was required to Accounting and Financial Reporting.

The financial recordkeeping staff has not always been diligent to complete the reconciliations by the 15<sup>th</sup> of the subsequent month. Most reconciliations were completed only a few days after the deadline. The only significantly late reconciliations occurred during the COVID-19 pandemic closures.

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Untimely and unapproved bank reconciliations constitute non-compliance with BOE policies and procedures and have 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 principal and current financial recordkeeping staff should ensure that reconciliations are completed and approved by the deadline each month. A set meeting should be scheduled and honored each month to provide the current principal and financial recordkeeping staff an opportunity to timely review and approve the monthly reports and discuss other issues with the SAF.

**2021.05 Year-End Monetary Transmittal Form Procedures Not Followed**

The following exceptions pertaining to the end-of-year MTF procedures were identified:

- A. ***Missing Monetary Transmittal Form Remittances:*** **Three** staff members' MTF envelopes, which should have included **19** MTFs, totaling **\$11,310.69**, could not be located for review. Also, **5** MTF remittances, representing collections of **\$5,629.75**, could not be found in an employee's end of year MTF envelope. (*This condition also noted in previous audit as of July 31, 2016*)
  
- B. ***Financial Recordkeeping Staff Access to Pink Copies:*** There were **41** instances where the financial recordkeeping staff's signature was found on the pink remittance copy of the MTF, which compromises the staff members' initial record of collection.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittances to be retained by the preparer. The white and yellow MTF remittances are submitted to the bookkeeper with remitted funds. After approving MTFs, the 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 **3** missing envelopes were from the 2019-2020 school year. The collection of MTF envelopes for the 2019-2020 school year was impacted by the COVID-19 pandemic school closures. Not all staff members have returned to complete their close-out procedures.

Staff members were not always diligent during the audit period of maintaining their MTF copies throughout the year. Reportedly, staff members were not always effective in anticipating when they will be collecting funds, and complete the MTF after they've made a collection at the time of remittance to the financial recordkeeping staff. As a result, the pink copy remained attached when the financial recordkeeping staff signed the MTFs.

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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 current principal should work with the financial recordkeeping staff to determine which staff members have not yet submitted their 2019-2020 MTF envelopes, and should ensure that they are submitted when required.

The current principal and financial recordkeeping staff should provide training to staff to ensure that they are obtaining MTFs prior to collection, and removing the pink copy of the MTF prior to submission to the financial recordkeeping staff. The financial recordkeeping staff must examine MTFs to ensure that the pink remittances are returned to preparers prior to signing. Further, the training should reiterate to staff the importance of maintaining their MTF copies throughout the school year.

**2021.06 Voided Checks Not Properly Administered**

The following exceptions pertaining to the management of voided checks were identified:

- A. There were **3** instances where voided checks were not properly defaced. (*This condition also noted in previous audit as of July 31, 2016*)
- B. There were **33** instances where voided checks were not properly entered into SFO. (*This condition also noted in previous audit as of July 31, 2016*)

The APM, Section 4.5.3, *Cash Disbursements*, states that voided checks must be defaced and filed in check number order with cancelled check images. All transactions must be entered into SFO.

The financial recordkeeping staff was aware of the requirement to remove the signature line from all voided checks but was not diligent to ensure that removal occurred in all cases. The recordkeeping staff was previously unaware that checks voided due to printing mistakes are required to be entered into SFO. A majority of the instances listed above were during FY 2017 and FY 2018.

Failure to properly deface voided checks and entering voided checks in SFO represents non-compliance with BOE policies and procedures and increases the risk of check fraud for the school.

**Recommendation:** The financial recordkeeping staff should ensure that all checks are defaced and recorded in compliance with the requirements of the APM.

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**2021.07 Record Retention**

The school did not have an effective record retention system implemented during the audit period. The following requested items could not be located in the school's files:

- **3** School Funds Expenditure Forms. Support for the check could also not be located in **2** of the **3** instances.
- **1** Monetary Transmittal Form
- **17** cancelled check images
- End of year MTF envelopes for the 2016-2017 school year.
- **11** voided checks

The APM, Section 6.12, *Record Retention*, states that 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, MTFs, SFEFs, cancelled checks, and contracts.

The APM, Section 4.5.3.1, *Cash Disbursements Procedures* states that images of cancelled checks must be returned with the bank statement. Once received, these images are to be maintained in a separate cancelled check file for the entire year. The bookkeeper must safeguard these images of cancelled checks, including endorsement information the bank of the checks.

The financial recordkeeping staff stated that the records management was impacted by the school moving from their home location to Forestville High School prior to the 2019-2020 school year due to construction. In addition, they have not always maintained copies of all pages of bank statements prior to submission to the Accounting and Financial Reporting Office. As a result, not all cancelled check images are maintained at the school. Further, the current school personnel could not recall who collected the 2016-2017 MTF envelopes. Failure to make financial records available for audit constitutes non-compliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements. (*This condition also noted in previous audit as of July 31, 2016*)

**Recommendation:** The financial recordkeeping staff should ensure that all pages of each bank statement is copied to maintain a full record of cancelled check images at the school. Further, an effective records management system must be implemented to ensure that all files are maintained in an orderly fashion that will allow for a seamless transition when the school returns to its' building. The current principal should develop an effective procedure for submitting and maintaining MTF envelopes for a period of 7 years or until the next audit.

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**2021.08 Restricted Account Balances Not Properly Remitted or Transferred**

The following restricted account balances totaling **\$23,931.96** were observed in the school's records as of June 30, 2020 that should have been remitted to the Board or transferred to other accounts.

<b>Accounts</b>	<b>Balance</b>
214.50 Boys Football Gate Receipts – Varsity	\$2,508.00
304.50-57 Class of 2015	\$2,504.24
304.70-74 Class of 2017	\$1,414.11
304.80-84 Class of 2018	\$2,539.66
304.90-94 Class of 2019	\$5,461.23
425.10 Core Textbook Fines	\$130.42
521.00 Credit Recovery	\$9,374.30
<b>Total</b>	<b>\$23,931.96</b>

The PGCPS Athletics Handbook requires that gate receipts from varsity football ticket sales are remitted to the PGCPS Office of Treasury Operations. Beginning in 2019, the Office of Athletics and Treasury Operations set up an automatic process to remove funds from the school's checking account for the balance in the gate receipts account.

The APM, Section 9.7, *Textbook Replacement Fees*, states that reimbursements for core textbooks will be deposited in the school's checking account and then remitted quarterly to the Accounting and Financial Reporting Office with a completed Textbook Reimbursement Form.

The APM, Section 7.3, *Class and Club Accounts*, states that no class account can extend beyond the academic life of a senior class. The senior class planning budget workbook includes a residual funds plan, which guides the financial recordkeeping staff in making transfers of the remaining funds.

Annually, the Accounting and Financial Reporting Office provides instructions to bookkeepers on how to remit Credit Recovery funds. Instructions were sent to bookkeepers on February 20, 2020 with a deadline of February 28, 2020.

The Office of Athletics has been working with Accounting and Financial Reporting and Treasury Operations on initiating the automatic debit from school's football gate receipts



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accounts, and planned for it to be effective in July 2020. They were waiting to ensure that the balances were correct.

The school's senior classes had provided residual funds plans to the financial recordkeeping staff but transfers have not been made. Reportedly, the financial recordkeeping staff was unaware that transfers could be made prior to specific expenditures being made in the fund accounts that were to receive transferred funds.

Reportedly the financial recordkeeping staff attempted to provide credit recovery funds to the BOE during FY 2019 but the check did not clear and was eventually written off. She was awaiting instructions for FY 2020 and missed the notification in February 2020.

Reportedly the financial recordkeeping staff had forgotten to forward core textbook fines to the Accounting and Financial Reporting Office during FY 2019 and FY 2020.

Failure to remit or transfer designated restricted funds to the appropriate account and/or office represents non-compliance with Board policies and procedures and decreases the potential benefit of these funds. For example, the class of 2015 funds have remained unused for five years. In addition, the credit recovery funds are not available to be used by the Board to fund the payments for teachers who assist with the program.

**Recommendation:** The financial recordkeeping staff should ensure that all restricted balances that require remittance to the Board are properly managed each year. The financial recordkeeping staff should carefully review the class residual plans each year to ensure that the instructions of the plan are promptly followed. The current principal should provide oversight by reviewing the school's Year to Date Report each month for outstanding dormant balances in restricted fund accounts.

**2021.09 Fundraiser Forms Not Completed**

Fundraiser Authorization Forms were not completed for **15** fundraisers in the audit period. Fundraiser Completion Reports were not completed for **20** fundraisers in the audit period. Annual Fundraising Summaries were not completed for any year in the audit period.

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 each fundraiser, a Fundraiser Completion Report must be prepared by the fundraising 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

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review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

The former principal and financial recordkeeping staff were aware of the requirements for fundraiser forms due to the previous audit. The former principal stated that she gave the financial recordkeeping staff responsibility for the fundraising process. However, it was difficult to get staff members to comply. Reportedly, the former principal did not keep staff members accountable for complying with the process.

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. *(This condition also noted in previous audit as of July 31, 2016)*

**Recommendation:** The current Principal and financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal and or designee. Training for staff should be provided at the commencement of the 2020-21 school year. The financial recordkeeping staff should communicate with the current principal when staff members do not comply, and the principal should provide enforcement of the controls.

### **2021.10 Club Budgets Not Developed**

The school's clubs have not developed and submitted annual budgets to the financial recordkeeping staff.

The APM, Section 7.3, *Class and Club Accounts*, states that a copy of annual budgets for all school clubs should be provided to the School's bookkeeper.

The former principal and financial recordkeeping staff were unaware of the requirement for the preparation of club budgets. They were only aware of the Senior Class Planning Workbook, which was properly completed and submitted to Accounting and Financial Reporting each year.

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 regarding the planning and execution of necessary payments. A budgeting process will also decrease the risk of insolvent accounts.

**Recommendation:** The principal and financial recordkeeping staff should develop a budget template for club sponsors to be used at the beginning as the 2020-2021 school year.

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**2021.11 Management Oversight**

The former Principal failed to implement effective controls to ensure compliance with the APM and to properly safeguard funds. The previous report indicated **8** findings in 2016. All **7** findings were repeated in this report, with **3** additional findings.

The APM, Section 3.2.1, Principals, states that the principal is the fiduciary agent for the Student Activity Funds. 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.

The former Principal attempted to improve the controls at the school following the previous audit. However, she stated that she did not follow through to keep staff accountable in order to effectively improve processes. Further, communication between the former Principal and financial recordkeeping staff was not effective.

Several BOE policies and procedures as established in the Accounting Procedures Manual were not followed. This resulted in internal controls being compromised and school funds being unaccounted for. Students are not receiving the maximum possible benefit of the resources made available to them.

**Recommendation:** The new Principal should immediately read the APM and in coordination with the financial recordkeeping staff, develop and document key processes for administration of the SAF. 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 **Central High School** was issued for the period ending **July 31, 2016**. That audit included **8** findings of which **7** are repeated. The former principal and financial recordkeeping staff were in their positions since the previous audit date. The former principal's tenure ended June 30, 2020. The following findings were noted as a result of the last audit and the current status is indicated below.

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- **Mismanagement of Funds Received** – Condition still exists. See Finding 2021.03 regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists See Finding 2021.01 and 2021.02 regarding *Inappropriate Use of Staff Advances mismanagement of Disbursements*.
- **Financial Reporting** – Condition still exists. See Finding 2021.04 regarding *Management of Monthly Financial Reporting*.
- **Administration of Vending Contracts** – Controls appear to be working.
- **Record Retention** – Condition still exists See Finding 2021.07 regarding *Record Retention*.
- **Fundraiser Forms** – Condition still exists. See Finding 2021.09 regarding *Fundraiser Forms Not Completed*.
- **Wages Disbursed from Student Activity Funds** – Controls appear to be working.
- **Management Oversight** – Condition still exists. See Finding 2021.11 regarding *Management Oversight*.

**ACKNOWLEDGEMENT**

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


**Prince George's County Public Schools  
Internal Audit Department  
School/Office: Central HS**

**Response Date September 25, 2020**


	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non-Conc ur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b><u>Status</u> Implemented Partially Implemented Not Implemented</b>
1.	<b><u>2021.01</u></b> <b><u>Inappropriate Use of</u></b> <b><u>Staff Advances</u></b>	The current principal and financial recordkeeping staff should immediately notify staff that advances will only be used in extenuating circumstances. When those situations arise, the financial recordkeeping staff should ensure that staff members sign acknowledgment of the advances, and that they are appropriately recorded in SFO. Staff should be required to return receipts within 2 days to facilitate reconciliation. Any delays in the return of receipts should immediately be reported to the principal. Each staff member requesting advances must be held accountable for compliance with the requirements. Financial recordkeeping staff should be held accountable for prompt reconciliation of advances.	Concur	All staff members will be attend training regarding CHS SAF Operating Procedures  Communicate to staff, verbally and in writing, that advances to staff will only be used in extenuating circumstances. If necessary, the follow procedures will be followed:  Financial Recordkeeping staff will draft a memo for the staff member to sign acknowledging receipt of the advance. The memo will include the reason for the advance, amount of the advance, where the advance will be spent, the requirement to return the receipt within 2 days and the understanding that all monies not spent (evidenced by the receipt)	November 2, 2020	Not Implemented

Principal Signature \_\_\_\_\_

Date \_\_\_\_\_

  
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				<p>must be returned to the Financial Recordkeeper within 2 days.</p> <p>When an advance to staff is necessary, upon completion of the reconciliation process, the Financial Recordkeeper will provide documentation to the principal for review signature</p>		
2.	<p><b><u>2021.02</u></b> <b><u>Mismanagement of Disbursements</u></b></p>	<p>The current principal and financial recordkeeping staff should jointly develop and document specific procedures for administering SAF expenditures. Responsibilities for the principal, financial recordkeeping staff, and staff members should all be included to ensure that expenditures are properly approved and supported in accordance with APM requirements. Once developed, the procedures should be provided to the staff members with accompanying training to ensure compliance.</p> <p>The financial recordkeeping staff and the current principal should be in consistent communication regarding the enforcement of the new procedures.</p> <p>The current principal should provide a letter of delegation to an assistant principal for pre-approval duties if an extended absence is anticipated, in compliance with the APM.</p>	Concur	<p>All staff members will attend training regarding PGCPs and CHS SAF Expenditure Procedures</p> <p>CHS SAF Expenditure Procedures will be developed in accordance with the PGCPs APM. These procedures will include the process for obtaining pre-approval, the use of approved vendors, return of original receipts and final approval process prior to the disbursement of funds. This will include attaching the disbursement check to the form prior to the principal signing off to ensure that the disbursement check matches the exact amount of the receipt. The procedures will also include a process for daily communication between the Financial Recordkeeper and Principal to ensure timely completion of financial matters.</p>	November 2, 2020	Not Implemented

Principal Signature 

Date 9/30/2020

				Develop the letter of delegation to share with the Instructional Director and Area 3 Office should I have to be on extended leave		
3.	<b><u>2021.03</u></b> <b><u>Mismanagement of Funds Received</u></b>	<p>The current principal and financial recordkeeping staff should continue to train staff on the requirements for timely remittance of funds. The financial recordkeeping staff should notify the Principal of all instances of non-compliance for controls to be properly enforced.</p> <p>The financial recordkeeping staff should ensure that full and accurate remittance documentation is included with all MTFs and that all deposits are recorded accurately, to include sales tax when necessary.</p> <p>The financial recordkeeping staff should ensure that all grant funds received are reported to the GFMO.</p>	Concur	<p>All staff members will attend training regarding PGCPs and CHS SAF Procedures</p> <p>Procedures for collecting money and accurately completing the accompanying documentation will also be included.</p> <p>A specific training session will be conducted for individuals who collect and submit monies collected at sporting events to ensure that the proper documentation is submitted immediately following the event.</p> <p>A form will be created to attach to the safe for staff members to indicate when monies have been dropped in the safe. This form will include the name of the staff member, date and the amount of money dropped in the safe</p>	November 2, 2020	Not Implemented

Principal Signature Shirley Sawoy

Date 9/30/2020

4.	<b><u>2021.04</u></b> <b><u>Mismanagement of Monthly Reporting</u></b>	The current principal and current financial recordkeeping staff should ensure that reconciliations are completed and approved by the deadline each month. A set meeting should be scheduled and honored each month to provide the current principal and financial recordkeeping staff an opportunity to timely review and approve the monthly reports and discuss other issues with the SAF.	Concur	Will set a standard meeting time, using Google Calendar, to complete this process each month.	calendar invitations created on September 25, 2020 (meetings will begin on October 12, 2020)	Partially Implemented
5.	<b><u>2021.05 Year-End Monetary Transmittal Form Procedures Not Followed</u></b>	<p>The current principal should work with the financial recordkeeping staff to determine which staff members have not yet submitted their 2019-2020 MTF envelopes, and should ensure that they are submitted when required.</p> <p>The current principal and financial recordkeeping staff should provide training to staff to ensure that they are obtaining MTFs prior to collection, and removing the pink copy of the MTF prior to submission to the financial recordkeeping staff. The financial recordkeeping staff must examine MTFs to ensure that the pink remittances are returned to preparers prior to signing. Further, the training should reiterate to staff the importance of maintaining their MTF copies throughout the school year.</p>	Concur	<p>Meet with the Financial Recordkeeper to determine which three teachers did not submit 2019-2020 MTFs and communicate with those staff members to identify a date and time for them to submit the forms.</p> <p>In accordance with APM Section 4.5.2.2, a procedure and training sessions will be developed and delivered to the staff regarding the completion, storage/security and remittance of yearly MTFs. This procedure and training will include before, during and after collecting funds processes for the staff and the financial recordkeeper</p>	November 2, 2020	Not Implemented
6.	<b><u>2021.06 Voided Checks Not Properly Administered</u></b>	The financial recordkeeping staff should ensure that all checks are defaced and recorded in compliance with the requirements of the APM.	Concur	In accordance with APM, Section 4.5.3, a procedure will be developed and implemented regarding properly voiding checks	November 2, 2020	Not Implemented

Principal Signature Shenee Savoy

Date 9/30/2020



				that coincides with the monthly bank reconciliation signing		
7.	<b><u>2021.07 Record Retention</u></b>	The financial recordkeeping staff should ensure that all pages of each bank statement is copied to maintain a full record of cancelled check images at the school. Further, an effective records management system must be implemented to ensure that all files are maintained in an orderly fashion that will allow for a seamless transition when the school returns to its' building. The current principal should develop an effective procedure for submitting and maintaining MTF envelopes for a period of 7 years or until the next audit.	Concur	In accordance with The APM, Section 6.12, a filing and storage system will be developed and implemented for financial reports, bank statements, receipts, disbursement authorities, MTFs, SFEFs, cancelled checks, and contracts.  In accordance with the APM, Section 4.5.3.1, a procedure will be developed for copying and filing copies of the bank statements prior to being submitted to submission to the Accounting and Financial Reporting Office.	October 31 2020	Not Implemented
8.	<b><u>2021.08 Restricted Account Balances Not Properly Remitted or Transferred</u></b>	The financial recordkeeping staff should ensure that all restricted balances that require remittance to the Board are properly managed each year. The financial recordkeeping staff should carefully review the class residual plans each year to ensure that the instructions of the plan are promptly followed. The current principal should provide oversight by reviewing the school's Year to Date Report each month for outstanding dormant balances in restricted fund accounts.	Concur	In accordance with the APM, Section 6.7, the current reimbursement funds for textbooks will be turned over immediately to the Accounting and Financial Reporting Office with a completed Textbook Reimbursement Form. In the future, all collected funds for textbooks will be turned over to the Accounting and Financial Reporting Office with a completed Textbook Reimbursement Form by the third week of March, June, September and December.	October 15, 2020	Not Implemented

Principal Signature

*Sheree Savoy*

Date

9/30/2020

			<p>In accordance with the APM, Section 7.7, the Class of 2021 will complete the senior class budget worksheet by the end of the first quarter. In the future, the budget worksheet will be completed by the senior class prior to September 30th.</p> <p>The Credit Recovery funds will be remitted in accordance with the instructions sent by the Accounting and Financial Reporting Office on February 20, 2020 immediately. In the future, Credit Recovery funds will be remitted in accordance with instructions sent by the Accounting and Financial Reporting Office by the due date and the principal will review prior to the submission to ensure that the deadline is met.</p> <p>In accordance with the APM, Section 7.3, the Class of 2015, 2017, 2018, and 2019 residual funds will be transferred based on the residual plans or to the instruction of materials account immediately</p> <p>The Year to Date report will be provided by the 15th of each</p>		
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Principal Signature Shirley Savoy

Date 9/30/2020

				month for review of dormant accounts.		
9.	<b><u>2021.09 Fundraiser Forms Not Completed</u></b>	The current Principal and financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal and or designee. Training for staff should be provided at the commencement of the 2020-21 school year. The financial recordkeeping staff should communicate with the current principal when staff members do not comply, and the principal should provide enforcement of the controls.	Concur	In accordance with APM, Section 7.2.2., procedures for before, during and after fundraising will be developed and implemented. The procedures will include the timeline for completing the Fundraising Authorization Form and Completion Report  All staff members will be trained on the procedures developed in accordance with APM, Section 7.2.2.	November 2, 2020	Not Implemented
10.	<b><u>2021.10 Club Budgets Not Developed</u></b>	The principal and financial recordkeeping staff should develop a budget template for club sponsors to be used at the beginning as the 2020-2021 school year.	Concur	Principal and Financial Recordkeeper will develop a budget worksheet for all clubs to complete prior to the commencement of the club activities.  In accordance with the APM, Section 7.2.3, the budgets will be submitted to the principal for approval and the Financial Recordkeeper for filing and future reference.	October 31, 2020	Not Implemented
11.	<b><u>2021.11 Management Oversight</u></b>	The new Principal should immediately read the APM and in coordination with the financial recordkeeping staff, develop and document key processes for administration of the SAF. The	Concur	Principal and Financial Recordkeeper will read and ensure that the CHS policies and	November 2, 2020	Not Implemented

Principal Signature \_\_\_\_\_

*Jane Sawyer*

Date \_\_\_\_\_

9/30/2020

		<p>following 5 basic principles must be incorporated into the school's policies and procedures, to achieve the internal control objectives:</p> <ul style="list-style-type: none"> <li>• Clearly Defined Lines of Authority and Responsibility;</li> <li>• Segregation of Duties;</li> <li>• Maintenance of Adequate Documentation and Records;</li> <li>• Limited Access to Assets, and</li> <li>• Independent Checks on Performance.</li> </ul>		<p>procedures include the 5 basic principles.</p>		
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Principal Signature Shirley Swoxy  
Date 9/30/2020