



September 9, 2020

MEMORANDUM

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

Michael Dinkins, Principal
Laurel High School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period February 1, 2018 through June 30, 2020

An audit was completed on the financial records of **Laurel High School** for the period February 1, 2018 through June 30, 2020. 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 **October 9, 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, Attention: Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

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

Internal Audit Report

**Laurel High School
Student Activity Funds**

For the Period Ended June 30, 2020

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Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Laurel High School for the period February 1, 2018 through June 30, 2020. Laurel 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 Disbursements;*
- *Operating a Vending Machine without a Current Contract;*

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, 2020.

Michele Winston, CPA
Director, Internal Audit



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SUMMARY

The Internal Audit Department completed an audit on the student activity funds (SAF) for Laurel High School for the period February 1, 2018 through June 30, 2020. The audit was conducted as part of the audit plan for the year.

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 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period February 1, 2018 through June 30, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Mismanagement of Funds Received

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

- A. ***Delinquent Deposits:*** There were **30** instances where funds received at the school were not deposited timely. The delinquency ranged from **1 to 21** days after initial collection by the staff member.
- B. ***Insufficient Documentation of Deposits:*** There were **10** instances where the documentation to substantiate funds received were inadequate. These collections included unsupported concession reports, “student purchases” and fundraising inventory reports where required.

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

- A. 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.
- B. 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. A *Student Remittance Report*, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as to adequately support collections.

The current recordkeeping staff could not provide a specific reason for the delinquency or insufficient documentation; however, it was noted that staff members did not follow the requirement for daily remittance and adequately supporting collections. Reportedly, the absence of a recordkeeping staff for the first 2 trimesters of FY 2020 may have contributed to the mismanagement of funds received.

Delinquent deposit of funds and insufficient documentation of deposits constitute non-compliance with Board policies and procedures and increases the risk of loss to the school. It also reduces the assurance that, all funds collected were appropriately accounted for.

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Recommendations: The following steps must be taken to address the mismanagement of collection of funds:

- A. The staff members must be reminded of the requirement to remit funds collected to the recordkeeping staff on the day of collection and the prohibition by the BOE to secure funds in classrooms or remove funds from the school premises. The new administration must establish internal controls to ensure that staff members remit funds collected to the recordkeeping staff daily. Staff members must be held accountable for compliance.
- B. Staff members must be reminded of what items constitutes sufficient, relevant documentation to substantiate funds collected. Such documentation should include concession reports, fundraising inventory reports when items are sold and list for student purchases as outlined in the APM.

2021.02 Mismanagement of Disbursements

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

- A. ***Inadequate Approval of Expenditures:*** There were **9** instances where either the principal's pre-approval of the expenditures (5) or approval of payments (4) was not obtained prior to the obligation of SAF or processing of vendor payments.
- B. ***Delinquent Payment of Invoices:*** There were **4** instances where payments were not made to the vendors timely. The delinquency ranged from approximately **9** days to **6** months.

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

- A. Prior to ordering or purchasing goods or services, a School Funds Expenditure Form (SFEF) 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.
- B. Vendor invoices should be paid within 30 days of receipt. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

The following causes for the instances of mismanagement of disbursements were identified:

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- A. Reportedly, the absence of a recordkeeping staff for the first 2 trimesters of FY 2020 has contributed to the purchase of items without documented preapproval.
- B. The principal explained that, following the retirement of the former principal and the recordkeeping staff at the end of June 2019, a new recordkeeping staff was not appointed timely. Outstanding invoices were not identified until after the appointment of a new recordkeeping staff.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to pre-approve expenditures can result in inappropriate purchases and accounts becoming insolvent. Also, failure to pay invoices promptly can result in late fees being assessed or even legal action being brought against the school system. The school's financial statements are also overstated since outstanding invoices are not accounted for in the month that they were incurred.

Recommendation: The following actions should be implemented to ensure that disbursements are appropriately administered:

- A. The principal and recordkeeping staff should establish internal controls to ensure adequate pre-approval of expenditures. Staff members must be trained on the process and held accountable for compliance.
- B. The principal should implement internal controls to ensure that, the current recordkeeping staff maintains a file for invoices and inspects the file periodically for payments as they become due.

2021.03: Operating a Vending Machine without a Current Contract

Laurel High School operates 11 vending machines (7 soda and 4 snacks). A vending contract was not signed for the FY 2020 school year to establish terms of operation.

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.

A message was left for the vendor several times but the vendor did not prepare a new contract to be signed prior to school's closing in March 2020.

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

Recommendation: The vendor must be reminded that a new contract is required every year without which a vending machine cannot be operated at the school. Purchasing and Supply

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Services must be contacted to explore a change in vendor if a signed contract cannot be obtained by October 31, 2020.

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Laurel High School was issued for the period ended January 31, 2018. There were 5 findings identified in that audit and 2 are repeated. The current principal and recordkeeping staff were not in their current positions at that time. The following findings were noted as a result of the last audit and their current status is indicated below.

- **Mismanagement of Funds Received-** Condition still exists for Delinquent Deposits only. See finding 2021.01 regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements-** Condition still exists for Delinquent Payment of Bills only. See finding 2021.02 regarding *Mismanagement of Disbursements*.
- **Insecure Location for Funds Awaiting Deposit** - Condition was not noted during this audit.
- **Voided Checks Not Properly Approved-** Condition was not noted during this audit.
- **Lack of Budgeting for Clubs and Organizations-** Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

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

Response Date October 09, 2020

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01</u> <u>Mismanagement of</u> <u>Funds Received</u>	<p>The following steps must be taken to address the mismanagement of collection of funds:</p> <p>A. The staff members must be reminded of the requirement to remit funds collected to the recordkeeping staff on the day of collection and the prohibition by the BOE to secure funds in classrooms or remove funds from the school premises. The new administration must establish internal controls to ensure that staff members remit funds collected to the recordkeeping staff daily. Staff members must be held accountable for compliance.</p> <p>B. Staff members must be reminded of what items constitutes sufficient, relevant documentation to substantiate funds collected. Such documentation should include concession reports, fundraising inventory reports when items are sold and list for student purchases as outlined in the APM.</p>	Concur	<p>A. A school wide in-service day with faculty and staff presented by School Accounting Secretary Evelyn Gutierrez on 8/21/2020. We will be having a follow up in-service day for entire staff as well as a small group members who frequently handle more funds and collections. The Bookkeeper and Principal will follow up with individual teachers who are non-compliant.</p> <p>B. Concession form will be created for staff to have an itemized form. Bookkeeper will train staff to make sure the form is filled out correctly.</p>	<p>August 2020</p> <p>January 2021</p>	Partially Implemented
2.	<u>2021.02</u> <u>Mismanagement of</u> <u>Disbursements</u>	<p>The following actions should be implemented to ensure that disbursements are appropriately administered:</p> <p>A. The principal and recordkeeping staff should establish internal controls to ensure adequate</p>	Concur	<p>A. In-service day, Bookkeeper communicated with staff to plan ahead and we discussed process of expenditure form. We communicated how to get an approval.</p>	August 2020	Implemented

Principal Signature

Michael Dinkens

Date

9-30-2020

		<p>pre-approval of expenditures. Staff members must be trained on the process and held accountable for compliance.</p> <p>B. The principal should implement internal controls to ensure that, the current recordkeeping staff maintains a file for invoices and inspects the file periodically for payments as they become due.</p>		<p>B. In our In-Service day we went over how to procedure to pre-approval happens and maintain current approvals and follow up.</p>		
3.	<p><u>2021.03: Operating a Vending Machine without a Current Contract</u></p>	<p>The vendor must be reminded that a new contract is required every year without which a vending machine cannot be operated at the school. Purchasing and Supply Services must be contacted to explore a change in vendor if a signed contract cannot be obtained by October 31, 2020.</p>	Concur	<p>A follow-up email has been sent to request contract by Bookkeeper. Mr. Dinkins will contact one last time before we communicate Purchasing and Supply.</p>	September 2020	Partially Implemented

Principal Signature Michael Dinkins

Date 9-30-2020