


December 22, 2021

MEMORANDUM

To: Nicole Isley-McClure, Instructional Director
Cluster 10

Daria Valentine, Ed. D., Principal
Academy of Health Sciences - PGCC

From: Michele Winston, CPA, Director 
Internal Audit

Re: Student Activity Funds Financial Audit as of September 30, 2021

An audit of the financial records of the **Academy of Health Sciences - PGCC** was completed for the period July 1, 2016 through September 30, 2021. The audit indicates that the school's financial records and procedures **require significant improvement** to be in accordance with the Accounting Procedures Manual for School Activity Funds (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 **January 24, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your signed and dated action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address: internal.audit@pgcps.org. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Katrina Greene, School Activity Fund Support Specialist, email address: katrina.greene@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbtzman, Chief Financial Office
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Carletta Marrow, Ed. D., Associate Superintendent
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Alicia Robinson, Internal Auditor II

Internal Audit Report

Academy of Health Sciences
Prince George's Community College
School Activity Funds

For the Period Ended September 30, 2021

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

Table of Contents

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY	3
OBJECTIVES	3
SCOPE.....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS.....	11
ACKNOWLEDGEMENT.....	11

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of the Academy of Health Sciences, Prince George's Community College (PGCC) for the period July 1, 2016 to September 30, 2021. The Academy of Health Sciences – PGCC'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:

- *Insolvent Financial Status;*
- *Records Management;*
- *Mismanagement of Funds Received;*
- *Mismanagement of Disbursements;*
- *Financial Reporting Non-Compliance*
- *Restricted Fund Account Deficits*

Individually or in aggregate, these findings resulted in a material deviation from Board of Education (BOE) Policies and Procedures and the requirements of the Accounting Procedures Manual for School Activity Funds (APM).

In our opinion, the SAF referred to above, was not administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended September 30, 2021.



Michele Winston, CPA
Director, Internal Audit

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

SUMMARY

Internal Audit completed an audit of school activity funds (SAF) for the Academy of Health Sciences, Prince George's Community College (PGCC) for the period July 1, 2016 to September 30, 2021. The audit was performed as part of the annual audit plan.

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

This audit report includes **6** findings, which occurred under the leadership of the former principal. A listing of the findings and the personnel responsible are included the Appendix at the end of the audit report. In addition, detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school was in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit report focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

SCOPE

The audit was based on our review of selected bank statements, financial reports, available canceled checks, all voided checks, and monetary transmittal form (MTF) envelopes submitted by staff for the period July 1, 2016 to September 30, 2021. Also, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Certain financial records requested to perform the audit were not made available to substantiate the accuracy and completeness of the financial statements reviewed. *Refer to finding 2022.02 for details.*

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.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2022.01 Insolvent Financial Status

As of September 30, 2021, the school was insolvent by **(\$5,000.58)**.

The APM Section 3.2.1 *Ownership, Authority, and Responsibility, Principals* states that the principal is the fiduciary agent for the SAF.... As such, responsibility for accounting, safeguarding, and managing the SAF, in accordance with PGCCPS policies and procedures, rest solely with the principal. Also, Exhibit B requires the principal to monitor revenue and expenditures to ensure that the SAF remains solvent at all times.

The former principal and recordkeeping staff retired during July 2021 and August 2021 respectively. Therefore, an explanation could not be provided relative to their role regarding the school's insolvency status. However, it was determined that the school over-refunded the Class of 2020 seniors for most of their senior dues. The individual overpayment amounts could not be determined since the school did not maintain a list of the items that the graduating students received. Also, there were unpaid invoices from FY 2020 of \$8,087.14 (yearbooks) and FY 2021 of \$8,095.47 yearbooks and cap/gowns) for which sufficient restricted funds were not available to cover the costs.

Improper administration of the school's class account activities in accordance with the APM has resulted in the school's insolvency of (\$5,000.58). As such, school activity funds were not available to satisfy the needs of the student population.

Recommendations: The current principal must regularly monitor the school's financial status by reviewing financial reports at least monthly, receiving unopened bank statements, and reviewing the bank statement along with all canceled checks to ensure funds are being deposited and disbursed as intended. The current principal must hold the class sponsors accountable for documenting the details of financial activities relative to the collection and disbursement of class funds. This detailed information must be used by the recordkeeping staff to ensure that the processing of financial transactions occurs within the availability of funding resources. The recordkeeping staff must be held accountable for compliance and for supporting the principal in ensuring that the school remains solvent at all times. Further, non-essential unrestricted spending must cease until the school becomes solvent.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

2022.02 Records Management

The following financial records could not be located and/or were incomplete to substantiate SAF transactions:

- A. ***Organization of Records:*** Financial records for FY 2017, FY 2018, FY 2019, and FY 2020 were not organized in date order as required.

- B. ***Cash Receipts Records:***
 - FY 2017 - MTFs were not completed in 22 instances
 - FY 2020 – Missing supporting documentation for 2 instances (MTF and validated deposit ticket)
 - FY 2021 – Missing validated deposit ticket in 1 instance

- C. ***Cash Disbursements Records:***
 - 2017 - Missing 8 (checks #1016 - #1023)
 - 2020 – Missing 121 SFEFs for FY 2020
 - 2021 - Missing 1 of 2 approved SFEFs

- D. ***MTF Remittances:***
 - FY 2018 – 35 MTF (yellow and pink remittances)
 - FY 2020 – 1 MTF (yellow and pink remittance)
 - FY 2021 – 1 MTF (yellow and pink remittance) and 1 pink remittance

- E. ***Monetary Transmittal Form Logs*** – MTF logs were not maintained for FY 2017 through FY 2021.

The APM provides the following guidelines relative to records management:

- The APM section *6.12 Record Retention* requires the retention of financial records for 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, canceled checks, and contracts.

- The APM *Exhibit B Staff Responsibility for SAF Bookkeeper/Financial Secretary* indicates that the Bookkeeper or financial secretary is to produce and maintain all required documents/reports in an organized fashion.

- The recordkeeping staff is required to verify and ensure that funds received total the documentation attached to the MTF. Each respective MTF documentation must substantiate the funds remitted to the recordkeeping staff. Also, the APM requires

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

that a MTF log be maintained by the recordkeeping staff to include a numerical list of the MTFs, the name of individuals and dates the forms were issued, the date returned to the recordkeeping staff and the total amount of the MTF.

The former principal and recordkeeping staff both retired during July 2021 and August 2021 respectively. Therefore, an explanation was not provided to explain the disorganized and financial missing records.

The absence of an effective records management system impacts the retrieval and accessibility to requested documentation. Specifically, the planned completion date of audit fieldwork had to be extended because of additional time spent locating and organizing financial records for testing. Also, evidence for determining that all SAF policies and procedures were followed is removed when financial records are unavailable for review.

Recommendations: The following are recommendations for compliance with APM requirements for management of funds received:

- A. The current principal and recordkeeping staff must establish an adequate records management system, which ensures that all financial documents are maintained in an organized manner by fiscal year. Disbursements documentation should be filed in check numerical order. Deposit documentation should be filed in date order.
- B. The current principal should remind staff that all MTF remittances should be retained and submitted at the end of each school year to the principal and/or designee. Staff should be held accountable for compliance.
- C. The current principal should complete a periodic review of financial records to determine proper organization.

2022.03 Mismanagement of Funds Received

The following 2 exceptions pertaining to the management of receipts were identified:

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

- A. **Missing Funds:** There was at least **1** instance where **\$40.00** could not be validated as being deposited into the school's bank account. The former recordkeeping staff acknowledged receipt of MTF #339292 for \$40.00 (currency) on January 13, 2020 by signing the MTF. There was no evidence that the funds were deposited into the school's bank account by the recordkeeping staff.

- B. **Sales Taxes Not Posted for Items Sold:** Sales taxes were not posted to the sales tax account for the Class of 2018 and Class of 2019 senior packets which included taxable items (yearbook and t-shirt).

The following criteria are established in the APM:

- A. The APM Section 4.5.2.2 (1), (2) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF, and (3) Preparing Bank Deposits*, requires **all** funds collected to be remitted to the recordkeeping staff on the day of collection. The recordkeeping staff is also required to make timely deposits with the financial institution.

- B. The APM Section 8.3 *Sales Tax Procedures* indicates that fundraisers, dance tickets, plays, and fees are exempt from sales tax assessments. All other sales are taxable and should, therefore, be assessed the applicable sales and use tax for remittance to the State of Maryland.

The following causes resulted from the non-compliance regarding the management of funds received:

- A. The former recordkeeping staff retired during August 2021. Therefore, an explanation could not be provided for the \$40.00 missing funds.

- B. The Graduation Program Specialist reportedly was not aware that sales taxes had to be assessed on a portion of the previously collected senior dues since PGCPSS is tax-exempt.

Failure to deposit all SAF collected impacts the availability of resources that would otherwise benefit the student population. Also, when sales taxes are not assessed on taxable items sold by the school, an understatement of sales taxes occurs in the school's fund accounts. Consequently, the BOE could be assessed penalties for not remitting the required sales taxes.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

Recommendations: The following are recommendations for compliance with APM requirements for management of funds received:

- A. The current principal and financial recordkeeping staff should develop and document specific procedures for the collection, remittance, and deposit of funds. The procedures should include responsibilities for staff, the financial recordkeeping staff, and the principal in accordance with the requirements of the APM.
- B. The current recordkeeping staff must accurately assess and record sales taxes in the accounting system to comply with BOE policies and procedures, as well State of Maryland laws.

2022.04 Mismanagement of Disbursements

There were at least **15** instances of non-compliance regarding the administration of disbursements. The following issues of non-compliance were identified:

- A. ***Checks Issued with One Signature:*** There were at least **3** instances where checks issued during June 2017, October 2018, and November 2018 did not meet the dual signature requirement. The former principal's signature or the former recordkeeping staff's signature was not affixed in these instances.
- B. ***Voided Checks Were Not Properly Mutilated:*** There were **3** instances where voided checks were not properly voided by removal of the signature line by the former recordkeeping staff.
- C. ***Voided Checks Were Not Entered into the School's Accounting System (SFO):*** There were **8** instances where voided checks were not entered into the accounting system by the former recordkeeping staff as required by the APM.
- D. ***Inaccurate Posting of an Expenditure:*** There was **1** instance where an expenditure was posted to an incorrect correct fund account by the former recordkeeping staff. Check #1074 for \$1,457.50 was issued on 09/19/19 for boxed lunches for a school counselors' meeting. The payment was inappropriately posted to *Class of 2019 Activities* instead of *Unrestricted Special Events*.

The following criteria are established in the APM:

- A. The APM Section 4.5.3.1 (4) *Check Writing* requires that all checks must have two authorized signatures. The two standard check signers should be that of the principal and the recordkeeping staff. The third signer must be a vice-principal or a school administrator.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

- B. The APM, Section 4.5.3.2, Policies and Procedures, Voiding Checks requires:
- a. Accounting for a physical check when an error is made at the time it is prepared or when a check is damaged. Voided checks are required to be defaced by the removal of the signature lines. The physical check is then filed in check number sequence with images of canceled checks.
 - b. All checks are entered into the accounting system when processed.
- C. The APM Section 3.2.2 *Ownership, Bookkeepers/Financial Secretaries* requires the bookkeeper or the financial secretary to accurately record and report the school's financial transactions. Also, the APM section 4.3.2 *Fund Account Procedures* requires transactions to be recorded in the most specific account related to the activity.

The former principal and recordkeeping staff both retired during July 2021 and August 2021 respectively. There was no further explanation provided for the checks issued with only one signature and improper administration of voided checks. There was also no explanation provided for the inaccuracy of posting of the special event transaction.

Internal controls are compromised when cash disbursements are not properly administered. Improper administration of transactions impacts the accuracy of the financial reporting and the principal's ability to make fiscally responsible decisions.

Recommendations: The current principal and financial recordkeeping staff should develop and document specific procedures for disbursement of SAF. The procedures should provide specific responsibilities for the financial recordkeeping staff, and the principal consistent with APM requirements. The current principal should perform periodic reviews of disbursements to ensure that BOE policies and procedures relative to cash disbursements is consistently followed.

2022.05 Financial Reporting Non-Compliance

The former recordkeeping staff did not prepare the monthly bank reconciliations by the due date in 11 instances. The delinquency ranged from 18 to 111 days.

The Accounting Procedures Manual (APM), Section 5.2, *Financial Reporting Requirements*, states requires completion of the bank reconciliation process by the 15th of the subsequent month.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

The former principal and recordkeeping staff both retired during July 2021 and August 2021 respectively. Therefore, an explanation was not provided relative to the delinquency of the school's monthly financial reporting process. However, the School Activity Fund Support Specialist indicated that the former recordkeeping staff often was unavailable for follow-up on inaccurate bank reconciliations/financial reporting.

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

Recommendations: The current principal and recordkeeping staff should establish and document a process to ensure timely preparation, review and approval of bank reconciliations. A set meeting should be scheduled each month to review reports and discuss the SAF. The current principal should provide oversight to ensure the recordkeeping staff completes reconciliations as required.

The current principal should make arrangements with the Treasury Operations to ensure that the monthly bank statements are also available electronically to facilitate timely financial reporting.

2022.06 Restricted Fund Account Deficits

There were 2 restricted fund accounts with deficits totaling **\$3,832.41** as of 9/30/2021. The following summarizes the deficits:

• 316.00	National Honor Society (NH)	(\$ 385.00)
• 450.10-450.50	Principal Sponsored Activity (PSA)	(\$ 3,447.41)
	Total	<u>(\$ 3,832.41)</u>

The APM Section 9.6, *Principal Sponsored Activities (PSA) for Staff*, indicates that expenditures for all restricted accounts are limited to the funds collected for those activities. Therefore, if restricted accounts exceed the available funds, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The former principal and the former recordkeeping staff retired during July 2021 and August 2021. The NHS annual dues were paid in FY 2020 and posted to this account even though there were no funds collected to offset the deficit, resulting in the current deficit. Also, there was spending in the PSA fund accounts without collection for the related activities. The school did not conduct school-wide fundraisers and there is no student/faculty vending machines from which to apply funds to the PSA.

Academy of Health Sciences - PGCC
School Activity Funds
Internal Audit Report
For the Period Ended September 30, 2021

Overspending in restricted accounts results in insufficient funds being available to administer students' activities.

Recommendation: The current principal should contact the Accounting and Financial Reporting Office for guidance on how to resolve the deficits in the specified restricted fund accounts.

STATUS OF PRIOR AUDIT FINDINGS

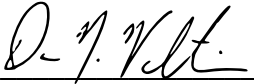
The Academy of Health Sciences-PGCC was established in FY 2016. This is the first SAF audit performed since its opening.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of the Academy of Health Sciences-PGCC for their cooperation and assistance during the audit.


Prince George's County Public Schools
Internal Audit Department
School/Office: Academy of Health Sciences - PGCC
Response Date January 24, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01 Insolvent Financial Status</u>	<p>The current principal must regularly monitor the school's financial status by reviewing financial reports at least monthly, receiving unopened bank statements, and reviewing the bank statement along with all canceled checks to ensure funds are being deposited and disbursed as intended.</p> <p>The current principal must hold the class sponsors accountable for documenting the details of financial activities relative to the collection and disbursement of class funds. This detailed information must be used by the recordkeeping staff to ensure that the processing of financial transactions occurs within the availability of funding resources.</p> <p>The recordkeeping staff must be held accountable for compliance and for supporting the principal in ensuring that the school remains solvent at all times. Further,</p>	Concur	<p>Principal reviews unopened monthly bank statements to ensure funds are being deposited and disbursed as intended. There have been no canceled check to date.</p> <p>October 2021 Staff Meeting was held to include training for staff on specific requirements for collection and remittance of funds collected from students. A zoom attendance can be provided. We will continue this on a quarterly basis. The last meeting was held on 1/26/21</p> <p>Principal will make a request for an administrative allotment to address the insolvent status. There has been no unrestricted spending during the principal's tenure. The financial recordkeeper and principal meet</p>	November 2021	<p>Implemented</p> <p>Implemented</p> <p>Partially Implemented</p>

Principal Signature 

Date 01/24/2022

6.	<u>2022.06 Restricted Fund Account Deficits</u>	The current principal should contact the Accounting and Financial Reporting Office for guidance on how to resolve the deficits in the specified restricted fund accounts.	Concur	A. The financial recordkeeper conducted a review of accounts currently in the negative and collaborated with Accounting & Financial Reporting Office, with the assistance of Katrina Greene to develop a plan to eliminate the deficit to include transferring funds from inactive accounts. Recordkeeper will coordinate with Principal and Instructional Director to review accounts and make appropriate requests. Principal will request administrative allotment to address some deficits.	December 2021	Implemented

Principal Signature 

Date 01/24/2022