



December 21, 2022

MEMORANDUM

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

Gorman Brown, Ed. D., Principal
Charles H. Flowers High School

From: **Michele Winston, CPA**, Director
Internal Audit

Re: Charles H. Flowers High School Financial Audit for July 1, 2021 through September 30, 2022.

An audit of the financial records of **Charles H. Flowers High School** was conducted for the period July 1, 2021 through September 30, 2022. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures 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 the principal of the school, you will be responsible for preparing an action plan by **January 23, 2023** 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. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enc.
cc:

Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D, Chief, School Support and Leadership
Carletta Marrow, Ed. D., Associate Superintendent, Area 3
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq., Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
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Internal Audit Report

Charles H. Flowers High School
School Activity Funds

For the Period Ended September 30, 2022

Charles H. Flowers High School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Charles H. Flowers High School for the period July 1, 2021 through September 30, 2022. Charles H. Flowers 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 Disbursements, and
- Vending Machine Contract

Individually or in the aggregate, these findings resulted in 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended September 30, 2022.



Michele Winston, CPA
Director, Internal Audit

Charles H. Flowers High School
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Internal Audit Report
For the Period Ended September 30, 2022

SUMMARY

Internal Audit completed an audit of school activity funds (SAF) for Charles H. Flowers HS (CHFHS) for the period July 1, 2021 to September 30, 2022. The audit was a part of the FY 2023 audit plan.

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

The audit report includes 2 findings that occurred under the leadership of the current principal and financial recordkeeping staff. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and 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, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2021 to September 30, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Mismanagement of Disbursements

The audit revealed the following pertaining to disbursements:

- A. **Lack of Pre-approval** – There were **8** instances where staff members failed to obtain preapproval prior to purchasing items on behalf of the school.
- B. **Delinquent Payments** – There were **5** instances where the financial recordkeeping staff delinquently paid an invoice.
- C. **Supporting Documentation** – There were **2** instances where the recordkeeping staff failed to support the disbursement with an invoice or receipt that matched the disbursement amount.
- D. **Improper Administration of Checks** – There was **1** instance where the recordkeeping used a duplicate check number. In addition, there were several instances where the recordkeeping staff wrote checks out of sequence.

The APM provides the following guidelines regarding the management of disbursements:

- A. The APM, Section 4.5.3 *Cash Disbursements* states that prior to ordering or purchasing goods or services; a School Funds Expenditure Form (SFEF) must be fully 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. Invoices are required to be paid within 30 days of receipt or by the due date indicated on the invoice. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- C. All checks are required to have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sale, etc.
- D. All school checks require a) the registered name of the account and address of the school, b) two signature lines, and c) consecutive check numbering.

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According to the recordkeeping staff, there are several internal controls in place to address staff's pre approval noncompliance. The principal and the recordkeeping staff issue letters of reprimand to staff members who do not follow the pre-approval process. Reportedly, oftentimes there is an urgent need for an item and as a result no time to obtain pre-approval. Despite the continuous efforts made by the principal and financial recordkeeping staff of providing pre-approval instructions, staff do not consistently follow the process.

Reportedly, staff held on to invoices for extended periods of time before submitting them for payment. This failure has also been addressed with letters of reprimand. The recordkeeping staff stated that invoices are processed and paid as soon as they are received.

Additionally, an oversight caused the recordkeeping staff to process 2 invoices that did not accurately support the amounts of checks. Those mistakes were corrected by requesting and receiving a refund from the vendor.

Lastly, the financial recordkeeping staff mistakenly used a packet of checks that caused the out of sequence numbering of checks. When the financial recordkeeping staff attempted to fix the problem, a duplicate check number was mistakenly used. The school was also a victim of check fraud in January of 2022. The bank closed the account that was defrauded and opened a new account. As a result, the checks written in that period were canceled from the defrauded account and then reissued using the new bank account numbers.

When disbursements are not processed according to the requirements of the APM it places the school at risk for fraud waste and abuse.

Recommendations: The principal and financial recordkeeping staff should perform the following:

- A. The principal and recordkeeping staff should ensure SFEFs are complete and properly approved prior to purchasing. School staff should continue to be trained to reiterate the need for pre-approval of expenditures.
- B. The recordkeeping staff should continue to enforce internal controls to ensure all disbursements are properly supported prior to issuance of checks.
- C. Financial recordkeeping staff should ensure all checks are written in sequential order and are not issued in duplicates. The monthly bank reconciliation should include matching of check numbers.
- D. The financial recordkeeping staff should ensure that all invoices are paid within 30 days or by the invoice date. Staff should be held accountable for promptly forwarding invoices for payment.

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2023.02 Vending Machine Contract

There are **4 soda and 3 snack** vending machines located in the school’s faculty lounge and there are **2 soda and 3 snack** vending machines available for students. However, there are no contracts in place for the operation of these vending machines.

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

The school’s financial recordkeeping staff states the school failed to secure a vending machine contract and has requested a copy from the vendor. The vendor has not responded to the school’s request.

Failure to have a formal contract in place that stipulates commission due and contract terms constitutes non-compliance with BOE policies and procedures.

This also compromises the school’s ability to ensure a contracted rate of return of the proceeds is received that could benefit the school and students.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor if the vendor continues to be non-responsive.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Charles H. Flowers High School was issued for the period ended June 30, 2021. During that period, the financial recordkeeping staff and principal held their current positions. The previous audit report had **5** reportable conditions, of which **1** is repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Missing Funds** – Controls appear to be working
- **Inadequate Approval of Expenditures** – See Finding 2023.01, regarding *Mismanagement of Disbursements: Lack of Pre-approval*
- **Delinquent Deposit** – Controls appear to be working
- **Line of Credit for Postal Service and Admin of Contracts** – Controls appear to be working

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- **Year end MTF Submission Process** – Controls appear to be working

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Charles H. Flowers HS
Response Due Date January 23, 2023

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01</u> <u>Mismanagement</u> <u>of Disbursements</u>	<p>The principal and financial recordkeeping staff should perform the following:</p> <p>A. The principal and recordkeeping staff should ensure SFEFs are complete and properly approved prior to purchasing. School staff should continue to be trained to reiterate the need for pre-approval of expenditures.</p> <p>B. The recordkeeping staff should continue to enforce internal controls to ensure all disbursements are properly supported prior to issuance of checks.</p> <p>C. Financial recordkeeping staff should ensure all checks are written in sequential order and are not issued in duplicates. The monthly bank</p>	Concur	Communication outlining procedures will be shared with staff. Strict adherence to these guidelines will occur moving forward.	1/3/2023	Implemented

Principal Signature _____



Date _____

1/23/23

		reconciliation should include matching of check numbers. D. The financial recordkeeping staff should ensure that all invoices are paid within 30 days or by the invoice date. Staff should be held accountable for promptly forwarding invoices for payment.				
2.	<u>2023.02 Vending Machine Contract</u>	The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor if the vendor continues to be non-responsive.		New contract was secured and has been forwarded to IA	1/3/2023	Implemented

Principal Signature _____



Date _____

1/23/23