



September 9, 2022

MEMORANDUM

To: Maria Smith, Ed. D., Instructional Director
Cluster 13

Melissa Nankin Ed. D., Principal
International High School Largo

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period September 1, 2019 through May 31, 2022

An audit of the financial records of **International High School, Largo** was completed for the period September 1, 2019 through May 31, 2022. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **October 10, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft Word template and any other correspondence to the Internal Audit Office, email address internal.audit@pgcps.org. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org, and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Carletta Marrow, Ed. D., Associate Superintendent, Area 3 Offices
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Joeday Newsom, Esq., Staff Director, Board of Education Staff Office
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**International High School, Largo
School Activity Funds**

For the Period Ended May 31, 2022

International High School, Largo
School Activity Funds
Internal Audit Report
For the period ended May 31, 2022

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International High School, Largo
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of International High School, Largo for the period September 1, 2019 through May 31, 2022. International High School, Largo'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:

- *Record Retention*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*

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 May 31, 2022.



Michele Winston, CPA
Director, Internal Audit

International High School, Largo
School Activity Funds
Internal Audit Report
For the period ended May 31, 2022

SUMMARY

An audit of the school activity funds (SAF) of International High School, Largo was completed for the period September 1, 2019 through May 31, 2022. The audit was conducted as part of the department's annual 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.

This audit report includes 3 findings which occurred under the leadership of the former principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and to determine 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period September 1, 2019 through May 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Certain documents were not on file for review. (*See **2023.01 Record Retention***)

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

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01: Record Retention

Supporting documentation to substantiate financial transactions were not available for review in the following instances:

- ***Monetary Transmittal Form Log*** - An MTF Log was not maintained to document the issuance and submission of MTFs.
- ***2 Monetary Transmittal Form Remittances*** - The pink and yellow MTF remittances for MTF 282756 and MTF 418032 were missing from staff's year-end MTF envelopes.
- ***6 Cancelled Checks*** – Cancelled checks to support expenditures incurred during FY 2020 and FY 2022 could not be located for review.
- ***Missing Fundraising Forms/Reports*** –Required reports/forms to support Class fundraising events held in FY 2020 (4) and FY 2022 (2) were not retained on file. Fundraiser Initiation and Authorization Form, Fundraiser Completion Reports and Annual Fundraiser Reports were not located for review.

APM Section 4.5.2.2 Collecting Funds: Completing the Monetary Transmittal Form requires a MTF log to be maintained by the bookkeeper to include a numerical list of the MTF's, the name of individuals to whom MTFs are issued and dates the MTFs are issued, the date returned to the bookkeeper, and the total amount of the MTF.

APM Section 6.12 Record Retention states All SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, SFEFs, canceled checks, and contracts.

The recordkeeping staff was not aware that the MTF Log, Fundraising documents and retaining cancelled checks was required.

There was no way of identifying staff responsible for any outstanding MTFs not returned. The absence of supporting documentation makes it impossible to verify SAF collected or disbursed were complete, accurate and/or recorded correctly. Failure to complete and retain fundraising forms/reports results in noncompliance with BOE policies. It also negates the information necessary to determine the profitability of fundraisers and to provide interested parties regarding the school's fundraising activities.

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Recommendations: The following should be implemented by the principal and recordkeeping staff to ensure that the school's financial records are properly administered:

1. A MTF log must be immediately implemented to ensure that MTFs are properly tracked. The format for the MTF log is documented in the APM.
2. The Accounting and Financial Reporting Office should be contacted to request training on the procedures for ensuring that funds collected and disbursed are processed as required.
3. The principal and recordkeeping staff must implement internal controls to ensure that fundraising activities are administered as required. All required forms and or reports must be documented and retained.
4. The principal and recordkeeping staff must establish a records management system that ensures orderly filing and safeguarding of all financial records for a minimum of 7 years or until audited.

2023.02: Mismanagement of Funds Received

The following exceptions were noted relative to the management of funds received:

- ***End of Year MTF Envelopes*** - End of year MTF envelopes containing **12** MTFs processed during FY2020 and FY 2021 were not sealed or signed as required by APM.
- ***Delinquent Deposits*** - There were **9** instances where funds received by staff members were remitted to the recordkeeping staff and deposited with the financial institution delinquently. The delinquency ranged from 4 to 59 days.
- ***Improper Corrections*** – There were **3** instances where corrections to MTFs were not performed as required. Initials were not appended next to the corrections by the individuals who made the corrections.

The APM provides the following guidelines for processing funds received:

Section 4.5.2.2-1, *Collecting Funds: Completing the Monetary Transmittal Form* requires faculty and program managers to submit the pink and yellow copies of the MTF remittances in a sealed envelope (with their signature over the seal) to the designated administrator during the close-out process.

Section 4.5.2.2-2, *Guidelines for Bank Deposits:* Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.

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APM, Exhibit E, *Monetary Transmittal Form*, requires the originator of the MTF to make a correction by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry. The reason for the correction (e.g., “transposition of numbers”, arithmetical error”, etc.) must be noted on the MTF and the originator must sign the correction.

The recordkeeping staff explained 5 of the late deposits happened before his tenure. There were 2 MTFs over 50 days late that were remitted timely but were deposited late after returning from extended leave. There was 1 MTF that included a check deposited over 40 days late because it was received by mail and got mixed up with Largo HS Mail (IHS shares a building with Largo High School). The recordkeeping staff stated that staff were not aware of the correct method of making corrections on financial forms. Staff were also unaware of the procedures pertaining to End of Year envelopes.

Delinquent deposits and inadequate documentation of funds received constitute noncompliance with BOE policies and procedures and increases the risk of loss to the school. Failure to initial changes to an MTF removes the responsibility from the staff member making adjustments to the MTF.

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

1. The principal or designee must review End of Year MTF envelopes upon receipt to ensure that the process of sealing and signing occurs during the year-end close-out process.
2. A refresher training should be held for all staff to explain their responsibilities relative to the remittance of funds received from students. Also procedures must be implemented to ensure that funds are deposited with the bank in the recordkeeping staff’s absence.
3. The principal should conduct period review of financial records to ensure timeliness, completeness and accuracy.

2023.03: Mismanagement of Disbursements

The following exceptions were identified during the audit of disbursements:

- ***Delinquent Payments*** – There were **3** instances where payments were processed untimely. The range of delinquency was 39 to 63 days.
- ***Mismanagement of Voided Checks*** – There were **10** instances where checks were not voided as required. The signature line was not removed in the noted instances.

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The APM provides the following guidelines pertaining to the administration of disbursements.

- Section 4.5.3.1-2 *Inclusion of Supporting Documentation*, payment of invoices are required to occur by the due date or within 30 days of receipt.
- Section 4.5.3.2 Voided checks should be defaced, but filed in check number order with cancelled check images.

The recordkeeping staff explained the first late payment was delayed because the school was waiting for a grant check that got mixed up in the mail. The second payment resulted from a past due invoice prior to the recordkeeping staff's tenure. The recordkeeping staff did not realize that the products were received which resulted in delay of the third payment. Recordkeeping staff was not aware that the signature portion on voided checks are required to be removed during the check voiding process.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Untimely payment of vendor invoices may result in the school being assessed late fees and impact the school's relationship with its vendors. Failure to properly void checks increases the risk of check fraud.

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

1. Internal controls must be implemented to timely identify and promptly process vendor payments by the invoice due date or within 30 days of receipt.
2. The recordkeeping staff must be knowledgeable of the requirements for voiding checks to ensure that it is performed as required. The principal must review the financial records periodically to ensure void check records are as required.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for International High School Largo was issued for the period ended August 31, 2019. During that period, the principal was not in her current position. A total of 4 findings were noted in that audit and all have been repeated in part or entirely in this audit as indicated below.

- ***Delinquent Collections*** – Condition still noted during this audit. **See Finding 2023.02** regarding *Mismanagement of Funds Received*.

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- ***Mismanagement of Disbursements:***
 - Expenditures Made Without Complete Documentation* - Not reported during this audit.
 - Reimbursement for a Purchase from an Unapproved Vendor*- Not reported during this audit.
- ***Un-located Cancelled checks*** - Condition still noted during this audit. **See Finding 2023.01** regarding *Record Retention*.
- ***Year-end Monetary Transmittal Forms Envelope Submission*** - Condition still noted during this audit. **See Finding 2023.02** regarding *Mismanagement of Funds Received*.
- ***Retention of Financial Reporting Documentation*** - Condition still noted during this audit. **See 2023.01** regarding *Record Retention*.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: International HS Largo
Response Due Date October 10, 2022**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Record Retention</u>	<p>1. A MTF log must be immediately implemented to ensure that MTFs are properly tracked. The format for the MTF log is documented in the APM.</p> <p>2. The Accounting and Financial Reporting Office should be contacted to request training on the procedures for ensuring that funds collected and disbursed are processed as required.</p> <p>3. The principal and recordkeeping staff must implement internal controls to ensure that fundraising activities are administered as required. All required forms and or reports must be documented and retained.</p> <p>4. The principal and recordkeeping staff must establish a records management</p>	Concur	<ul style="list-style-type: none"> • A MTF log was created and has been in use since August 2022 • The Accounting and Financial Reporting Office will be contacted to request training • All staff members are required to have fundraising forms signed prior to beginning the fundraiser. The bookkeeper retains all forms related to fundraisers. • Electronic bank statements were requested. Reconciliation forms and deposits are retained by the 	10/2022	Partially implemented until training has occurred

Principal Signature _____

Melissa A. Hankin

Date 10/10/2022

		system that ensures orderly filing and safeguarding of all financial records for a minimum of 7 years or until audited.		bookkeeper and color by year.		
2.	<u>2023.02:</u> <u>Mismanagement of Funds Received</u>	<p>1. The principal or designee must review End of Year MTF envelopes upon receipt to ensure that the process of sealing and signing occurs during the year-end close-out process.</p> <p>2. A refresher training should be held for all staff to explain their responsibilities relative to the remittance of funds received from students. Also procedures must be implemented to ensure that funds are deposited with the bank in the recordkeeping staff's absence.</p> <p>3. The principal should conduct period review of financial records to ensure timeliness, completeness and accuracy.</p>	Concur	<ul style="list-style-type: none"> • The end-of year check-out process will be modified to include collection of MTF envelopes • A refresher training was held on August 22, 2022 • All money is dropped in the safe. The code to the safe was shared with the principal. The principal will deposit money in the absence of the bookkeeper within 24 hours of receipt. • The principal and bookkeeper meet monthly (before the 15th) to review financial records 	10/2022	Implemented
3.	<u>2023.03:</u> <u>Mismanagement of Disbursements</u>	1. Internal controls must be implemented to timely identify and promptly process vendor payments by the invoice due date or within 30 days of receipt.	Concur	<ul style="list-style-type: none"> • Bookkeeper will dedicate time each day to review and pay new invoices as they arrive • The principal and bookkeeper meet 	10/2022	Partially Implemented

Principal Signature _____ *Melissa A. Hankins* _____

Date 10/10/2022 _____

		<p>2. The recordkeeping staff must be knowledgeable of the requirements for voiding checks to ensure that it is performed as required. The principal must review the financial records periodically to ensure void check records are as required.</p>		<p>monthly (before the 15th) to review financial records</p> <ul style="list-style-type: none"> • The Accounting and Financial Reporting Office will be contacted to request training in voiding checks 		
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Principal Signature _____

Melissa A. Hankins

Date 10/10/2022