



December 11, 2018

MEMORANDUM

To: Charoscar Coleman, Instructional Director
Cluster 10

Robynne Prince, Principal
Bowie High School

From: Michele Winston, CPA
Director Internal Audit

Re: Financial Audit for Period May 1, 2017 to July 31, 2018

An audit was completed on the financial records of **Bowie High School** for the period May 1, 2017 to July 31, 2018. The audit indicates that the school's control environment requires improvement to ensure their compliance with BOE 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 11, 2019 indicating steps that will be taken to ensure compliance with the School Accounting Manual. Send your signed action plan to the Internal Audit Office, Sasscer Administration Building. 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 at internal.audit@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: Deborah.smalls@pgcps.org.

We would like to thank the principal and staff of **Bowie High School** for their assistance and cooperation during the audit process.

Enclosure

cc: Alvin Thornton, Ed. D., Board Chair
Monica Goldson, Ed.D, Interim Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
J. Michael Dougherty, CPA, Esq., Director, Financial Services
Michael Herbstman, Chief Financial Officer
Carletta Marrow, Ed. D., Associate Superintendent, High Schools
Helen Coley, Ed. D., Chief, School Support and Leadership
Daniel Reagan, Internal Auditor II

Internal Audit Report

Bowie High School Student Activity Funds

For the Period Ended July 31, 2018

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Student Activity Funds
Internal Audit Report
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Bowie High School for the period May 1, 2017 to July 31, 2018. Bowie 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 Governmental Accountability Office 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:

- *Delinquent Deposits;*
- *Inadequate Pre-Approvals;*
- *Delinquent Payments;*
- *Year-End Monetary Transmittal Form Procedures Not Followed;*
- *School Facilities Used by Outside Organization Without a Permit;*
- *Club Budgets Not Developed;*
- *Vending Machines Operating In Competition with Food and Nutrition Services;*
and
- *Management Oversight*

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, 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 July 31, 2018.

Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for Bowie High School for the period May 1, 2017 to July 31, 2018. The audit was performed as part of the annual audit plan.

The audit indicated that the school's financial records and procedures but require attention and improvement to be in full 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 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 cancelled checks all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period May 1, 2017 to July 31, 2018. 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:

2019.01 Delinquent Deposits

There were **28** instances where funds were deposited between 1 and 54 days after collection.

The APM, Section 3.2.3, *Faculty/Program Managers* states that faculty members are responsible for safeguarding funds in their custody and submitting all funds collected, along with adequate supporting documentation, to the recordkeeping staff on the day of collection.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* requires recordkeeping staff to make deposits of funds collected at least every other day. However, no more than \$250.00 should be kept in the building overnight.

Records indicate that recordkeeping staff is depositing funds timely once she receives from the staff. However, staff members do not always remit funds timely to the bookkeeper. For example, Staff Members A and B were responsible for collecting funds for library fines throughout the 2017-2018 school year, but kept funds in a lockbox in the library until the end of the year. Staff Member A remitted all collected funds on a MTF in June 2018. Staff Member B remitted all collected funds in August 2018. Reportedly, Staff Member A was aware of the requirement to turn funds in daily, but was not aware that that the requirement had to be strictly adhered to. Also, the principal attributed the late deposits to increased turnover in the staff, and inconsistency in notification of principal when funds are held.

The recordkeeping staff provided consistent written communication to the staff regarding the requirements for deposits in other instances. However, detection and enforcement of the controls by the recordkeeping staff and principal have been lacking.

Late deposits constitute non-compliance with BOE policies and procedures and increases financial risk to the school. Specifically, untimely deposits increase the risk of lost or stolen funds. In the case of Staff Member A, she turned in \$742.43 on June 25, 2018, with corresponding remittance information showing \$850.55 in collected fines. She provided a money order from her own account to cover the shortage of \$108.12, but acknowledged that timely remittances will decrease the risk of lost funds.

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Recommendation: The principal should make a concerted effort to identify new strategies to establish effective controls over staff's remittance of funds to the bookkeepers. This should include clear and documented instructions to new and returning staff. Communication between the principal and recordkeeping staff should be improved to enhance enforcement, consistency and effectiveness of the internal controls.

2019.02 Inadequate Approval of Disbursements

There were **21** instances where purchases were made without proper pre-approval by the principal.

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 completed and signed by the principal.

According to the principal, all expenditures are verbally pre-approved, and she is hesitant to deny payments for purchases made on the students' behalf. The principal also acknowledged that although the staff has been made aware of the requirement by the recordkeeping staff, she has continued to provide approval of expenditures carried out without her written pre-approval.

Purchases made without pre-approval from the principal constitute non-compliance with BOE policies and procedures and increased financial risk to the school. Specifically, bypassing the written pre-approval process can result in misguided financial obligations being made on the school's behalf. The risk of late payments to vendors is also increased when expenditures are not properly planned and pre-approved (See Finding 2019.03).

Recommendation: The principal should cease the practice of verbally approving expenditures and immediately enforce the requirements for written pre-approval of all purchases. The principal and recordkeeping staff should continue to provide training to staff members to ensure compliance with the requirement for approval of expenditures. Staff should held accountable for compliance.

2019.03 Delinquent Payments

There were **6** instances where payments to vendors were not made within 30 days of receipt or by the due date of the invoice.

APM Section 4.5.3.1, *Cash Disbursements Procedures*, states that invoices should be paid within 30 days of receipt or by the due date. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

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The recordkeeping staff explained that often, late payments were a result of faculty members making purchases prior to obtaining pre-approval (See Finding 2019.02). There were other situations where the recordkeeping staff waited for a faculty member to confirm delivery of items and accuracy of the invoice before processing payments.

Delinquent payments constitute noncompliance with BOE policies and procedures and increases financial risk to the school and staff members. Specifically, late payments to vendors can lead to fees, penalties or loss of future service.

Recommendation: The principal and recordkeeping staff should stay diligent to ensure that all invoices are paid timely. Specifically, effective enforcement of purchase pre-approval controls will increase the principal and recordkeeping staff's awareness of upcoming and outstanding vendor invoices.

2019.04 End-of-Year Monetary Transmittal Form Procedures Not Followed

One teacher, with collections of **\$72,397.00** on 41 MTFs, for Class of 2017 activities did not turn in her MTF remittances at the end of the 2016-2017 school year.

The APM, Section 4.5.2.2, *Cash Receipts Procedures*, states that the pink MTF remittance copy is to be maintained by the preparer of the form after it is initially completed. The white and yellow copies are to be submitted to the bookkeeper with remitted funds. After approving the MTF, the recordkeeping staff returns the yellow remittance copy to the originator. Prior to departing at year-end, faculty and program managers are to submit the pink and yellow MTF remittance copies in sealed envelopes with their signatures over the seal to the designated administrator.

The recordkeeping staff explained that the teacher resigned suddenly at the end of the school year. Arrangements were not made to ensure that she properly closed out prior to departure, to include the collection of her end-of-year MTFs.

The ineffective end-of-year MTF process constitutes non-compliance with BOE policies and procedures. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendation: The principal should ensure that financial close-out activities are completed for all exiting staff members, to include collections of MTF envelopes.

2019.05 School Facilities Used by Outside Organization Without a Permit

The Athletic Director coordinated an outside youth soccer organization to use the school's outdoor facilities outside of the PGCPs permitting process, in exchange for a **\$1,937.00** donation to the school.

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Administrative Procedure 1330, *After School Use of Facilities*, states that facility use by outside organizations must be completed through the PGCPs' permitting process, with its' required forms and fees due to PGCPs.

The Athletic Director (AD) stated that this outside organizations reported having difficulty with PGCPs' current online permitting process, so she offered the organization this arrangement as an alternative. The AD stated that she was aware that this is not the permitted practice, but sought the donation cover the financial cost to the school system. The AD further expressed her preference that the school's athletic program benefit from funds collected for this facility use instead of the funds being sent to the Building Services Department. Include whether the donation restricted for Athletics.

The avoidance of the PGCPs permitting process constitutes non-compliance with BOE policies and procedures. Further, PGCPs is at increased financial and liability risk without organizations completing required insurance forms and paying fees per the defined fee schedule.

Recommendation: The principal, in coordination with the Athletic Director, and Building Services, should ensure that funds received from the outside organization are remitted to Building Services promptly.

Further, the Principal and Athletic Director should ensure that the school's facilities are only used by organizations that have properly complied with Administrative Procedure 1330, *After School Use of Facilities*. The Principal should contact Building Services regarding remission of \$1,937.00 that was collected for facility use.

The principal should hold the Athletic Director accountable for compliance and be directed to cease providing instructions to outside organizations that circumvent Board Policies and Procedures.

2019.06 Club Budgets Not Developed

School Club budgets were not developed or submitted to the recordkeeping staff for the 2016-2017 and 2017-2018 school years.

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 recordkeeping staff stated that the school was not aware of the requirement for annual club budgets. They were only aware of the requirements for senior class budgeting, which the school complied with during the school years reviewed. The lack of club budgeting constitutes non-compliance with BOE policies and procedures. Further, it decreases the coordination between club sponsors and the school

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administration relative to planning and executing necessary payments. Effective budgeting can improve the purchase pre-approval and timely payment issues identified in Findings 2019.02 and 2019.03.

Recommendation: The principal and recordkeeping staff should familiarize themselves with the requirements for club budgeting, and establish a process to ensure compliance.

2019.07 Vending Machines Operating in Competition with Food and Nutrition Services

The school's 15 student vending machines are operational throughout the school day, in competition with PGCPs' Food and Nutrition Services Program.

Administrative Procedure 0116, *Health and Wellness* states that vending machines cannot interfere with the county's Food and Nutrition Services Program. School owned vending machines accessible to students are encouraged to meet Smart Snacks standards and they must be turned off from 12:01am through 30 minutes after the formal school day, to be monitored by school administration.

The school recently obtained vending machines that meet Smart Snacks standards, and the school's administration believed that provided them an exemption to leave vending operations operational throughout the school day. However, the school's vending machines, despite meeting Smart Snack standards, provide unintended competition for the established Food and Nutrition Services Program that do not comply with Administrative Procedure 0116, *Health and Wellness*.

Recommendation: The principal should review Administrative Procedure 0116, *Health and Wellness* and ensure that the school's vending machine operating hours are in compliance. The principal should contact the vendor and inform them that they must comply with this procedure to continue vending machine operations at the school. Further consultation regarding this policy should be conducted with Food and Nutrition Services, if necessary.

2019.08 Management Oversight

The principal did not exercise effective oversight in the administration of the SAF during the current audit period. The previous audit included 6 findings of which 4 are repeated in this audit report. There are also 4 additional findings.

The APM, Section 3.2.1, *Principals*, states that the principal is the fiduciary agent for Student Activity Funds. As such, responsibility for accounting, safeguarding and managing the SAF, in accordance with PGCPs policies and procedures, rest solely with the principal.

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The principal has not implemented effective financial controls to correct noted deficiencies. Specifically, improvement is necessary in enforcement of requirements for proper administration of student activity funds. There is the potential for financial risks at Bowie High School in the absence of effective management oversight.

Recommendation: The principal should carefully review the policies and procedures as defined in the APM and develop effective internal controls that are consistently enforced to ensure compliance. The principal should be consistently involved in the daily operations as it relates to the administration of the school's resources.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Bowie High School** was issued for the period ended **April 30, 2017**. The principal and recordkeeping staff were in their current positions for the entire audit period. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Late Deposits** – Condition still exists. **See Finding 2019.01**, regarding *Delinquent Deposits*.
- **Inadequate Approvals** – Condition still exists. **See Finding 2019.02** regarding *Inadequate Approval of Disbursements*.
- **Late Payments** – Condition still exists. **See Finding 2019.03** regarding *Delinquent Payments*.
- **End Of Year Monetary Transmittal Form Procedures Not Followed** – Condition still exists. **See Finding 2019.04** regarding *End-of-Year Monetary Transmittal Form Procedures Not Followed*.
- **Voided Checks Not Properly Administered** - Controls appear to be working.
- **Insolvency Report Not Properly Calculated** – Controls appear to be working.

ACKNOWLEDGEMENT

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