



December 10, 2019

**MEMORANDUM**

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

Reginald McNeill, Principal  
Eleanor Roosevelt High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2019

An audit of the financial records for **Eleanor Roosevelt High School** was completed for the period January 1, 2017 through June 30, 2019. 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 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 10, 2020 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](mailto:internal.audit@pgcps.org). A copy of the action plan should be forwarded to Derrick Martin, Internal Auditor II, email address: [derrick.martin@pgcps.org](mailto:derrick.martin@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org).

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

# Internal Audit Report

## Eleanor Roosevelt High School Student Activity Funds

For the Period Ended June 30, 2019

**Eleanor Roosevelt High School  
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Eleanor Roosevelt High School for the period January 1, 2017 to June 30, 2019. Eleanor Roosevelt High School's principal is responsible for the administration of the 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:

- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Financial Reporting Requirements*
- *Restricted Account Deficits*
- *Administration of Voided Checks*
- *Inappropriate Vending Machines Operation*
- *Monetary Transmittal Form Envelopes Retention*
- *Fundraiser Reports not Completed*
- *Improvement Needed in Management Oversight*

This finding resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, the SAF referred to above, has been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2019.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Eleanor Roosevelt High School for the period January 1, 2017 to June 30, 2019. The audit was conducted as part of the annual audit plan.

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 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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period January 1, 2017 to June 30, 2019. Also, available 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:

**2020.01 Mismanagement of Funds Received**

There were at least **30** instances of non-compliance regarding the administration of collection. The following indicates the instances of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **12** instances where funds collected for various school activities were held for **3** or more days by staff members and the recordkeeping staff prior to deposit. ***This finding was noted during the previous audit period ended December 2016.***
  
- B. ***Missing and/or Incomplete MTF Documentation:*** There were at least **13** instances where supporting documentation was not provided or was incomplete for funds received. ***This finding was noted during the previous audit period ended December 2016.***
  
- C. ***Segregation of Duties:*** There was **1** instance where the recordkeeping staff collected checks totaling \$4,367.00 for Class of 2019 Prom, Graphic Arts, Scholarships and Science, documented collection on an MTF and deposited funds with the schools financial institution.
  
- D. ***Sales Taxes Due on Items Sold:*** There were at least **4** instances where the school sold taxable items (yearbooks and baseball practice jerseys) but did not assess the applicable sales taxes.

The following criteria is established in the APM for collection of SAF:

- A. Section 4.5.2.2 (1), (2) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF*, and (3) *Preparing Bank Deposits*, require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution.
  
- B. Staff should ensure that the documentation is accurately stated and totals the funds remitted to the bookkeeper. The bookkeeper is required to verify that the funds received total the documentation attached to the MTF. Each MTF documentation should substantiate the funds remitted to the bookkeeper.
  
- C. Exhibit A, *Internal Control Objectives and Principles, Segregation of Duties* states that no one person should ever be made solely responsible for maintaining records on resources that they have custody of, access to and/or authority over.

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- D. 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 taxes for payment to the State of Maryland.

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

- A. The principal did not establish internal controls to ensure that SAF collected were remitted and deposited timely as required.
- B. The recordkeeping staff did not always review documentation to ensure that all MTFs remitted were supported by appropriate documentation prior to acceptance.
- C. The recordkeeping staff indicated that the funds collected were checks and the individual assigned to collect funds remitted directly to the office was not available.
- D. The recordkeeping staff was not aware that yearbooks and baseball practice jerseys were taxable items.

Internal controls are compromised when funds are retained in the school for several days and when funds are remitted without complete documentation. Inadequate segregation of duties increases the potential for fraud to the school. Failure to collect sales taxes for taxable items sold constitute noncompliance with the State of Maryland's tax requirements and misstates the school's financial records.

**Recommendation:** The following recommendations are suggested to help ensure collections are properly managed:

- A. Staff members must be held accountable for remitting funds collected to the recordkeeping staff on a daily basis. The recordkeeping staff must verify collection and make prompt deposit of funds.
- B. The recordkeeping staff must ensure verification of source of funds to the MTF, completing and obtaining detailed deposit tickets, accurately assessing sales taxes to applicable sales.
- C. The recordkeeping staff must discontinue collecting funds without a MTF.

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**2020.02 Mismanagement of Disbursements**

There were at least **216** instances of non-compliance regarding disbursements. The following indicates the instances of non-compliance:

- A. ***Missing, Incomplete and/or Insufficient Documentation:*** There were at least **17** instances where School Funds Expenditure Forms (SFEF) could not be located, were missing, incomplete and/or inadequately documented. ***This finding was noted during the previous audit period ended December 2016.***
  
- B. ***Checks Issued out of Sequence:*** There were approximately **173** instances where checks were issued out of sequence.
  - a. During FY 2017, there were approximately 25 checks issued out of sequence.
  - b. During FY 2018, there were approximately 120 checks issued out of sequence.
  - c. During FY 2019, there were approximately 28 checks issued out of sequence.
  
- C. ***Reimbursement Checks Issued for Incorrect Amounts:*** There were at least **5** instances where checks were issued for incorrect amounts. These were checks written for reimbursements to employees that did not match the amount of supporting documentation. ***This finding was noted during the previous audit period ended December 2016.***
  
- D. ***Delinquent Payments and/or Reimbursements:*** There were at least **12** instances where payments and/or reimbursements were delinquent. The delinquency ranged from 36 to 314 days. Cumulative purchases were made from a company with invoices ranging from June 2018 to March 2019, but the invoices were not paid until April 30, 2019 resulting in delinquency of 314 days in one instance. A staff member purchased school items on October 2, 2018, but was not issued a reimbursement until November 20, 2018, resulting in 49 days delinquency in another instance. ***This finding was noted during the previous audit period ended December 2016.***
  
- E. ***Checks Issued for Services Rendered:*** There were at least **3** instances where payments were issued directly to individuals for services rendered. The recordkeeping staff issued checks directly to a BOE employee for security services for various school events. Payments were issued as reimbursements along with the officers' name in 2 instances. The third payment was issued to an organization along with the officer's name. The officer signed the back of the check.



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- F. ***Inappropriate Use of the Refund Vendor Option in School Funds Online (SFO):*** There were at least **3** instances where the recordkeeping staff used the “*Refund Vendor*” Option incorrectly when reimbursing staff and parents for school related purchases. Reimbursements were issued as refunds to parents for pizza purchase for a blood drive sponsored by the National Honor Society in 2 instances. The *Refund Vendor Option* was used to issue reimbursement to a staff member for dance costumes purchased for the Dance Company club.
- H. ***Sales Taxes Paid and/or Reimbursed:*** There were at least **3** instances where sales taxes were paid and/or reimbursed for items purchased on behalf of the school. Sales taxes of \$10.83 and \$9.00 were reimbursed for school related purchases for 2 of the 3 instances. Sales taxes of \$220.78 were included in the payment issued to the yearbook company in FY 2018 for the third instance. ***This finding was noted during the previous audit period ended December 2016.***

The following criteria is established in the APM and Administrative Procedures:

- A. The APM section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires that all checks have itemized documentation attached to the SFEF that supports the amount expenditure. The APM section 6 (12) *Record Retention* requires that all SAF records be maintained for a period of 7 years and or until audited. This includes School Funds Expenditure Forms. In addition, records must be maintained in an organized manner to ensure accurate accountability of financial documents.
- B. Invoices and/or reimbursements should be paid within 30 days of receipt or by due date on the invoice and have appropriate documentation.
- C. Administrative Procedure 3430, *Paying Employees for Part-Time Work Using School Activity Funds*, explains that an employee must be set up as a second assignment. The hours worked must be entered on a *Temporary Hourly Employee’s Time and Attendance Report*. A school check must be included made payable to PGCPs for the gross amount of wages.
- D. The APM Section 4.5.2.2 (3) *Cash Disbursement Use of Board Approved Vendors* requires all checks to be written to an approved/active vendor through SFO. The only exceptions are for staff reimbursements and parent refunds. For checks reimbursing staff, the vendor selected is *Reimbursement*; for checks refunding a parent, the vendor is *Refund*.
- E. The APM section 8 (3) *Sales Tax Procedures* requires that purchases made by school and PGCPs are tax-exempt, if used in the conduct of school business. The tax-exempt certificate should be provided to the vendor when making the school

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purchase. Sales tax will not be reimbursed if paid when purchasing items for educational purposes.

Internal controls were not established to ensure that the recordkeeping staff performed the following:

- A. Ensured that appropriate documentation was completed and obtained for all checks issued and that checks were issued sequentially.
- B. Recalculated and/or carefully reviewed receipts when issuing reimbursements or receiving documentation for advanced checks.
- C. Ensured appropriate submission of supporting documentation to facilitate timely payment.
- D. Checks were not written directly to employees for services rendered.
- E. All expenditures were reviewed to ensure that sales taxes were not reimbursed and/or paid.
- F. Posts reimbursement and refund checks properly in accordance with the requirements as outlined in the APM.

Internal controls are compromised and financial records are distorted when disbursements are not managed in accordance with the APM.

**Recommendation:** The principal should establish procedures to ensure that all disbursements are made in accordance with the APM. The following recommendations are suggested to comply with APM requirements for funds disbursed:

- A . The staff and recordkeeping staff should be reminded that adequate documentation must be used to substantiate all checks issued.
- B . The recordkeeping staff should ensure that checks are consistently issued in sequential order to maintain the integrity of financial recordkeeping.
- C . The staff members should be reminded of the importance of submitting invoices and reimbursement requests timely for payment. The recordkeeping staff should ensure that invoices and reimbursement requests are processed within 30 days or by the invoice due date.
- D . The recordkeeping staff should review the APM to ensure that she appropriately applies the requirements for processing payments to individuals for services

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rendered by BOE staff.

- E. The principal and recordkeeping staff should seek to recover overpayments paid to staff members.
- F. The sales tax-exempt certificate should be made available to staff members so that it can be presented to vendors when school related purchases are made.

**2020.03 Financial Reporting Requirements**

There were at least **6** instances where the monthly reporting was either not timely performed by the recordkeeping staff or was not reviewed timely by the principal or assistant principal. The delinquency ranged from **3** to **63** days.

The APM section *5.1.2 Monthly Reconciliation and Financial Reporting* states that the bookkeeper is required to complete the reconciliation within 7 days after receiving the statement from the bank. All financial reports should be completed by the 15<sup>th</sup> of each month and submitted to the principal for review and approval.

The recordkeeping staff indicated there were times when she was not able to focus on her responsibilities due to personal circumstances. Also, the principal was not always available to review the monthly financial reports timely. There was at least one instance where the assistant principal reviewed and signed the monthly report 30 days after its completion.

The principal's fiscal responsibility is compromised when monthly reporting is not available and/or reviewed timely. The financial audit was unable to be completed through the most current monthly reporting due to the FY 2020 reporting delinquency.

**Recommendation:** The principal and recordkeeping staff should ensure that monthly financial reporting is accomplished in accordance with scheduled requirements included in the APM (bank reconciliation within 7 days after receiving the statement from the bank and completion of financial reports by the 15<sup>th</sup> of each month). The principal and recordkeeping staff should meet on a monthly basis to review and approve the financial reports. The recordkeeping staff should ensure the financial reporting is accurate for the principal to make fiscally responsible decisions for the school.

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**2020.04 Restricted Account Deficits**

There following 9 restricted fund accounts had deficits as of June 30, 2019 totaling \$25,553.06:

<b>Account #</b>	<b>Account Description</b>	<b>Account Balance</b>
304.93/94	Class of 2019	(\$ 3,475.14)
312.00	Japanese Exchange	(\$14,401.06)
334.00	College Summit	(\$ 600.58)
340.00	Archduke	(\$ 5,547.00)
437.00	Security/Parking Fees	(\$ 70.49)
510.20	Food/Nutrition	(\$ 309.37)
530.00	ESOL	(\$ 63.82)
585.00	Science & Technology	(\$ 1,749.00)
588.00	Special Education	(\$ 336.60)
	<b>Total</b>	<b>(\$25,553.06)</b>

The APM, section 4.3 *Fund Accounts*, states that expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

Per the recordkeeping staff, internal controls were not established to prevent overspending in the noted restricted fund accounts. The reasons for the most significant deficits are as follows:

- The sponsor of the Japanese Exchange program did not adequately plan the program to ensure that grant funds were obtained timely.
- The Class of 2019 did not prepare a *Class Planning and Budget Workbook* to facilitate prudence in execution of class activities. The portion of the deficit offset by the principal was not sufficient to bring the account to solvency.
- The Archduke Club hosted the fieldtrip and the funds collected were incorrectly posted to the English Fund account instead of the Fieldtrip account. This error was since corrected.
- Funds received for Science Technology activities were recorded in the Science Department fund account. Transfers were not performed by the recordkeeping staff as of the June 30, 2019. The deficit was noted during the audit and transfer recommended.

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Overspending in restricted accounts results in insufficient funds being available to administer activities to the general student population. Also, inaccurate accounting of funds, misrepresents accounting information for the principal to make fiscally responsible decisions.

**Recommendation:** The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits. Also, focused planning and budgeting should occur to ensure that the school's resources are used properly and that further deficits do not occur.

**2020.05 Administration of Voided Checks**

There were **172** instances of non-compliance regarding the administration of voided checks. The following issues of non-compliance were noted:

- ***Voided Checks not Properly Mutilated:*** There were at least **148** instances where checks were not properly voided by removal of the signature line.
- ***Voided Checks not Entered into the School's Accounting System (SFO):*** There were at least **24** instances where voided checks were not entered into the accounting system by the recordkeeping staff as required by the APM.

The APM, section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires 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 removal of the signature and account lines. The physical check must be filed in check number sequence with images of cancelled checks.

The principal and recordkeeping staff failed to ensure that the voiding of checks were administered in compliance with BOE policies and procedures. The recordkeeping staff was not aware that all voided checks had to be entered into the school's accounting system.

Inappropriate administration of checks exposes the school to fraud, waste and abuse of its resources. ***This finding was noted during the previous audit period ended December 2016.***

**Recommendation:** The recordkeeping staff should ensure that voided checks are administered as required by the APM. The principal should complete a periodic review of voided checks to ensure compliance with BOE policies and procedures. All check signers must take the time to get familiar with the policy and procedures set forth in the APM regarding voiding checks. Then recordkeeping staff must be held accountable for compliance.

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**2020.06 Inappropriate Operation of Vending Machines**

During the school's financial audit it was noted that vending machines were operating during the specified scheduled lunch times contrary to the requirements of the BOE.

Administrative Procedure 0116 *Health and Wellness, Guidelines for Food and Beverages Sold in Vending Machines, Snack Bars, School Stores, and Concession Stands on PGCPs Property* states that the following:

- A. Food sales by school-related groups and the use of vending machines must comply with state and federal law and not interfere with student participation in the county's food and nutrition services program.
- B. School owned vending machines accessible to students are required to meet Smart Snacks standards and they must be turned off from 12:01 a.m. through 30 minutes after the formal school day, to be monitored by school administration. This does not include vending owned (or operated) by Food and Nutrition Services.

The vending machines are currently under the supervision of Security Services of the school. The vending company was since contacted and the machines were placed on timers to be inoperable during the school day.

The school is in violation of BOE policy by allowing the vending machines to be operable during the school day and in direct conflict with the specified lunch schedule.

**Recommendations:** The principal should establish procedures to ensure that BOE policies are always followed regarding vending machines operation.

**2020.07 Monetary Transmittal Form Envelopes Retention**

The year-end MTF envelopes submission process was not operating as required. MTF envelopes for FY 2017, FY 2018 and FY 2019 could not be located for review.

The APM Section 6.12 *Record Retention* indicates that all SAF records must be retained for a period of seven (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, cancelled checks and contracts.

The FY 2019 end of year MTFs were collected by the designated assistant principal who provided the labeled box to the Student Based Budgeting (SBB) manager to place in the appropriate storage closet that is inaccessible to the recordkeeping staff. Although this process was reportedly followed attempts to retrieve the MTF box were futile.

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The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

**Recommendations:** The principal should ensure that financial records are labeled and maintained in a secure location, retrievable for audits. These records must be retained for a period of seven (7) years and or until audited, including the current fiscal year.

**2020.08 Fundraiser Reports Not Completed**

The school did not comply with the requirements for administering fundraisers during the audit period. The school held several fundraising activities during the audit period. However, not all *Fundraiser Completion Reports* and annual reports summarizing fundraising activities were completed.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and the Annual Fund Raising Summary Report for all fundraisers sponsored. These documents must be maintained on file for public and auditor review upon request.

The principal, fundraiser sponsors and recordkeeping staff failed to adhere to the fundraising requirements. It could not be readily determined that the school's fundraisers yielded an overall profit for the school. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available. *This finding was noted during the previous audit period ended December 2016.*

**Recommendations:** The principal must continue to enforce established procedures to ensure completion of all *Fundraiser Completion Reports* of fundraising activities held during the school year. Also, the principal or designee should complete reports at the end of each school year to summarize fundraising activities held. Required reports must be maintained on file for public and auditor review.

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**2020.09 Improvement Needed in Management Oversight**

The previous audit report for Eleanor Roosevelt High School was issued for the period ended December 2016. There are **6** repeated reportable conditions from that audit.

The principal is the fiduciary agent for the student activity funds. In this role, the principal is the person responsible for ensuring that these funds are administered in accordance with BOE policies and procedures and spent to provide the maximum benefit possible to the students. "It is also important that the principal, who is ultimately responsible for these funds, be aware that the success of the internal control system rests largely with them."

Improvement is necessary to be in compliance with BOE policies and procedures as established in the APM. Students are not receiving the maximum possible benefit of the resources available to them. *This finding was noted during the previous audit period ended December 2016.*

**Recommendations:** The principal should continue to carefully review the APM and ensure that internal controls are operating effectively to ensure fiscal accountability. The principal must continue to be involved in the daily operations as it relates to the administration of the school's resources. Continued improvement of the internal control environment should be emphasized by focusing on these five basic principles of internal control:

- ❖ **Clearly defined lines of authority and responsibility,**
- ❖ **Segregation of duties,**
- ❖ **Maintenance of adequate documents and records,**
- ❖ **Limited access to assets, and**
- ❖ **Independent checks on performance.**

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Eleanor Roosevelt High School was issued for the period ended December 31, 2016. The current principal and recordkeeping staff were on staff. The **6** findings noted as a result of that audit are repeated in this audit and summarized details are indicated below:

- **Mismanagement of Receipts** – Condition still exists. See **Finding 2020.01** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – See **Finding 2020.02** regarding *Mismanagement of Disbursements*.



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- **Administration of Voided Checks** – Condition still exists. See **Finding 2020.05** *Administration of Voided Checks*.
- **Year End Monetary Transmittal Forms (MTF) Envelope Submission Process** – Condition still exists since unable to locate end of year MTFs. See **Finding 2020.07** *MTF Envelopes Retention*.
- **Fundraiser Forms/Reports not Completed** – Condition still exists. See **Finding 2020.08** regarding *Fundraiser Reports Not completed*.
- **Improvement Needed in Management Oversight** – Condition still exists. See **Finding 2020.09** regarding *Improvement Needed in Management Oversight*.

**ACKNOWLEDGEMENT**

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



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**ADDENDUM**

**Personnel Noted in the Report:**

- **Principal:** Reginald McNeill
- **Recordkeeping Staff:** Shenninta Newman
- **Assistant Principal:** Avery Taylor
- **Student Based Budgeting Manager:** Joanna Escobar
- **Building Supervisor:** Eric Dent