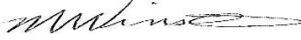


December 22, 2020

MEMORANDUM

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

Lisa Faulkner-Jones, Principal, Bladensburg High School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period May 1, 2019 through September 30, 2020

An audit of the financial records of **Bladensburg High School** was completed for the period May 1, 2019 through September 30, 2020. 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 **January 22, 2020** 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, Attention: Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org, Katrina Greene Student Activity Fund Support Specialist, email address: katrina.greene@pgcps.org and Joeday Newsom, Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

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

Internal Audit Report

**Bladensburg High School
Student Activity Funds**

For the Period Ended September 30, 2020

Bladensburg High School
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For the Period Ended September 30, 2020

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Bladensburg High School
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Bladensburg High School for the period May 1, 2019 through September 30, 2020. Bladensburg 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 Funds Received*
- *Mismanagement of Disbursements*
- *Deficits in Restricted Fund Accounts*
- *Disposition of Senior Class Fund Accounts*
- *Documentation for Transfer of Funds*

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 September 30, 2020

Michele Winston, CPA
Director, Internal Audit



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SUMMARY

The Internal Audit Department completed an audit on the student activity funds (SAF) for Bladensburg High School for the period May 1, 2019 through September 30, 2020. The audit was conducted as part of the audit plan for the year.

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 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period May 1, 2019 through September 30, 2020. 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:

2021.01: Mismanagement of Funds Received

The following exceptions pertaining to the management of funds received were identified:

- ***Inadequate Documentation of Funds Received:*** There were **4** instances where the funds received lacked adequate documentation to substantiate the funds received. MTFs were not completed to provide information on sources and amounts of funds. A bake sale report was not included to support collection in one instance and the date of collection was not indicated on MTFs.
- ***Delinquent Deposits:*** There were **12** instances where the funds received were not deposited timely. The delinquency ranged from **2 to 24** days after the initial collection by staff members.
- ***Year-End Monetary Transmittal Form Processes:*** The year-end MTF submission process was not operating as required. End of year MTF envelopes, containing 39 MTFs, were not located for 2 staff members selected for review during 2020. There were also 4 MTFs that were not submitted in 2 staff members' MTF envelopes for FY 2019.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that,

- Staff members collecting funds are required to complete MTFs (and make submission to the bookkeeper along with collections. The MTF must be entirely completed with the following information. 1) who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.
- All funds collected must be remitted to the bookkeeper on the day of collection, along with a completed MTF. The Bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- The pink copy of the MTF is retained by the preparers of the form. The white and yellow copies are submitted to the bookkeeper with funds. After approving a MTF, the bookkeeper is required to return the yellow copy to the originator. Prior to departing at year-end, faculty and program managers are to submit the pink and yellow copies of the

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MTF(s) in a sealed envelope (with their signature over the seal) to a designated administrator. The bookkeeper is required to print the *SFO Receiptee History Report* and submit it to a designated administrator. This alerts the administrator which MTF envelopes to expect.

The following were causes of the non-compliance:

- According to the financial secretary, there has been a general lack of concern towards following the procedures as contained in the APM. Staff members have not always complied with the procedures for documenting and timely remitting collections despite discussions at the beginning of the past school year. Funds were held overnight on several occasions. Reportedly, staff members were contacted when funds are dropped in the safe with blank MTFs. Staff members did not always return to the front office to complete MTFs; in those instances, funds were deposited to avoid the risk of loss.
- Due to the COVID-19 closings, some staff members were unable to return to the school submit their end of year MTF envelopes.

Inadequate documentation or lack of documentation of funds received constitutes non-compliance with Board policies and procedures, breakdown of internal controls and increases the risk of loss. It is also impossible to verify that, all SAF collected were subsequently deposited. Delinquent deposit of funds also increases the risk of loss and impacts the quality of financial reporting.

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

- The financial secretary must continue to review the collection procedures with staff members at the next in-service. The principal must hold staff members accountable for following the policies and procedures relative to the completion of MTFs. Accountability could include obtaining staff members' signed acknowledgment of their training and understanding of the collection procedures.
- The principal and financial secretary should agree on a designated time during the day for all staff members to remit funds collected to the financial secretary for deposits to be made promptly with the financial institution. Staff members must also be reminded that, they are prohibited from keeping funds in their classrooms.
- Staff must be reminded of the year-end MTF envelope submission process and be held accountable for returning their MTF copies in signed and sealed envelopes to the principal or a designated administrator as part of the year-end check-out process. Provision should be made for submission when there are extreme situations.

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2021.02: Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- ***Inadequate Approval:*** There were **2** instances where the principal's preapproval was not obtained prior to the school's funds being obligated.
- ***Processing of Advance Checks*** - There were **2** instances where advanced funds were not processed in accordance with the APM. Store receipts were not attached to the School Funds Expenditure Form (SFEF) to support a check for **\$250.00** that was advanced to the employee in one instance. Store receipts supporting a separate **\$200.00** advance check was not sufficient since the supporting store receipts provided by the staff member totaled **\$153.97**, resulting in a shortage of **\$46.03**. This difference could not be traced to a subsequent deposit.

The APM, Section 4.5.3.1 provides the following provisions pertaining to the management of disbursements:

- Prior to ordering or purchasing goods or services, a SFEF must be 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.
- When situations arise requiring a disbursement to be issued before an expense has occurred, checks issued are required to be treated as advances to staff. The staff member must sign a statement acknowledging receipt of the advance. The reconciliation of the funds from advance checks is required to take place within two (2) business days from the receipt of the check. Staff members are required to return itemized receipts to substantiate the amount advanced.

The following were the causes of the non-compliance:

- According to the financial secretary, staff members are aware of the procedures pertaining to approval of disbursements. However, there have been times that staff members forgot to obtain the approval prior to purchasing the items.
- According to one of the staff members, she turned the receipts in right before schools closed in March due to COVID. The financial secretary also said, he regularly follows up with staff to retrieve receipts but has not always been successful.

Mismanagement of disbursements constitute non-compliance with BOE policies and procedures and increases financial risk to the school. The lack of adequate approval can result accounts

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being overspent and insolvency. Failure to provide evidence of expenditures increases the risk of unrecognized inappropriate spending.

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

- The principal and financial secretary should enforce internal controls over the pre-approval process to ensure that staff members comply.
- The financial secretary should implement internal controls to ensure that, staff members complete the reconciliation of advance checks and return the difference or reimburse any unspent funds. A log can be maintained to track the advance check process.

2021.03: Deficits in Restricted Fund Accounts

The following restricted accounts had deficits as of September 30, 2020, which aggregated to **(\$14,510.06)**.

- Band/Orchestra = **(\$32.35)**
- Pom Poms = **(\$5,519.31)**
- Homecoming = **(\$71.13)**
- Yearbook = **(\$6,940.48)**
- BOE to Reimbursement = **(\$1,946.79)**

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are solvent at all times.

Most of the fund account deficits (4 out of 5) pre-date the tenure of both the principal and the financial secretary and they are not aware about the causes. However, the Yearbook fund account deficit occurred because the school purchased more year books than were sold. Internal audit verified that there are 2 boxes of unsold yearbooks for FY 2019 at the school.

Students are not receiving the maximum possible benefit from the resources that should have been available to them when restricted fund accounts are insolvent.

Recommendation: The principal and financial secretary should identify any dormant accounts with positive balances, from which transfers are allowable to “zero-out” the fund deficits and discuss options for resolution of these deficits with Accounting and Financial Reporting Office. Spending in these accounts must cease until the accounts' deficits are resolved. Appropriate budgeting should be performed which involves obtaining prepayment or down payment for yearbooks to avoid future deficits in this fund account.

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2021.04: Disposition of Senior Class Accounts

The following Class Accounts have not been dissolved which aggregate to **\$8,511.93** as of September 30, 2020.

- Class of 2015 = \$55.00
- Class of 2016 = \$322.87
- Class of 2017 = \$136.22
- Class of 2018 = \$645.00
- Class of 2019 = \$7,352.84

In accordance with AP 3450, *Class and Club Fund Terminations*, no class account can extend beyond the academic life of a senior class. As a senior class nears the end of the school year, it must plan, with approval of the principal, for the final disposition of any residual class funds. Class accounts represent the largest component (approximately one fourth) of SAF. It is therefore important that there is proper budgeting, accounting and control of class account resources.

The senior class sponsors and the previous principals did not ensure that, a plan was in place for the final disposition of any residual class funds prior to the end of those school years. BOE policies and procedures as established in the APM relative to administration of class accounts were not followed. This noncompliance can result in restricted funds remaining in the SAF that can be available for students' activities.

Recommendation: The principal should present a plan for disposition to the Accounting and Financial Reporting Office for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit. The principal, financial secretary and current class sponsors must familiarize themselves with the requirements for administration of the senior class accounts and promptly prepare and follow the disposition plan.

2021.05: Documentation of Fund Transfer

There were **7** instances where the documentation to substantiate transfers between fund accounts were not available for review.

Transfers between restricted accounts are only authorized if reviewed and approved by the principal. For example, if senior class officers wish to designate a portion of their class funds to another club or class in the school, a statement to that effect must be signed by the officers, reviewed by the faculty sponsor and forwarded to the principal for approval. Upon the principal's concurrence, the bookkeeper can record the transfer in *SchoolFundsOnline*.

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According to the financial secretary, transfers to help resolve certain fund account deficits were discussed with the principal during monthly financial meetings and verbal approval was provided to proceed with the transfers. Reportedly, Accounting and Financial Reporting subsequently made the financial secretary aware that approval of transfers must be documented on the Journal Entry Fund Proof Sheet.

The lack of documented approval of fund transfers constitute non-compliance with BOE policies and procedures and remove evidence that procedures were followed.

Recommendations: The record keeping staff should document the principal's approval when transfers are recorded. Evidence of the principal's approval must be retained for review.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Bladensburg High School was issued for the period ended April 30, 2019. During that period the financial secretary was in his current position. The current principal's tenure began in August 2020. The following 9 findings were noted as a result of the last audit and 5 continue to exist. The current status is indicated below.

- **Mismanagement of Disbursements** - Condition still exists. **See Finding 2010.02** regarding *Mismanagement of Disbursements*.
- **Mismanagement of Funds Received** - Condition still exists. **See Finding 2020.01** regarding *Mismanagement of Funds Received*.
- **Administration of Sales Tax** - Condition was not noted during this audit.
- **Year-End Monetary Transmittal Form Envelopes Submission Process**- Condition still exists. **See Finding 2020.01** regarding *Mismanagement of Funds Received*.
- **Excessive Spending in a Restricted Account** - Condition still exists. **See Finding 2020.03** regarding *Deficits in Restricted Fund Accounts*.
- **Vending Machine Contract** - Condition was not noted during this audit.
- **Disposition of Senior Class Account** - Condition still exists. **See Finding 2020.04** regarding *Disposition of Senior Class Accounts*
- **Inappropriate Use of Advance, Reimbursement and Refund Vendor Options**- Condition was not noted during this audit.

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- **Improvement Needed in Management Oversight-** Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Bladensbury HS
Response Date January 22, 2020

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01:</u> <u>Mismanagement of</u> <u>Funds Received</u>	<p>The following steps must be taken to improve the management of collection:</p> <p>1. The financial secretary must continue to review the collection procedures with staff members at the next in-service. The principal must hold staff members accountable for following the policies and procedures relative to the completion of MTFs. Accountability could include obtaining staff members' signed acknowledgment of their training and understanding of the collection procedures.</p> <p>2. The principal and financial secretary should agree on a designated time during the day for all staff members to remit funds collected to the financial secretary for deposits to be made promptly with the financial institution. Staff members must also be reminded that, they are prohibited from keeping funds in their classrooms.</p> <p>3. Staff must be reminded of the year-end MTF envelope submission process and be held accountable for returning their MTF copies in signed and sealed envelopes to the principal or a</p>	<p>Concur</p> <p>Concur</p> <p>Concur</p>	<ul style="list-style-type: none"> • Mr. Mabry will conduct training of SOP regaining collection of funds, completion of MTF's at the next three staff meetings. Upon completion staff will sign acknowledgment of training. • Staff members responsible for collecting funds will be reminded that funds are to be turned into Mr. Mabry daily by 12:00 pm. If Mr. Mabry is not available, the location of drop safe will be shared accordingly. • MTF envelopes will be submitted, signed and sealed to a member of the admin team on a quarterly basis. 	<p>February 9, 2021</p> <p>March 9, 2021</p> <p>January 4, 2021</p>	<p>Partially Implemented</p> <p>Partially implemented</p> <p>Implemented</p>

Principal Signature  _____

Date 1/22/2021 _____

		designated administrator as part of the year-end check-out process. Provision should be made for submission when there are extreme situations.		Staff will be advised of submittal procedurs during each staff meeting		
2.	<u>2021.02: Mismanagement of Disbursements</u>	The following steps must be taken to improve the management of disbursements: 1. The principal and financial secretary should enforce internal controls over the pre-approval process to ensure that staff members comply. 2. The financial secretary should implement internal controls to ensure that, staff members complete the reconciliation of advance checks and return the difference or reimburse any unspent funds. A log can be maintained to track the advance check process.	Concur Concur	<ul style="list-style-type: none"> Mr. Mabry and I will meet weekly (Tuesday & Friday at 10:00 am) to review expenditure forms and supporting documents. Develop/maintain log to track the advance check process. Create electronic communication that is sent to staff when advanced funds are granted. 	January 22, 2021 January 22, 2021	Partially Implemented Partially Implemented
3.	<u>2021.03: Deficits in Restricted Fund Accounts</u>	The principal and financial secretary should identify any dormant accounts with positive balances, from which transfers are allowable to “zero-out” the fund deficits and discuss options for resolution of these deficits with Accounting and Financial Reporting Office. Spending in these accounts must cease until the accounts' deficits are resolved. Appropriate budgeting should be performed which involves obtaining prepayment or down payment for yearbooks to avoid future deficits in this fund account.	Concur	<ul style="list-style-type: none"> Identify any dormant accounts with positive balances, from which transfers are allowable to “zero-out” the fund deficits and discuss options for resolution of these deficits with Accounting and Financial Reporting 	January 29, 2021	Not Implemented

Principal Signature  _____

Date 1/22/2021

4.	<u>2021.04: Disposition of Senior Class Accounts</u>	The principal should present a plan for disposition to the Accounting and Financial Reporting Office for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit. The principal, financial secretary and current class sponsors must familiarize themselves with the requirements for administration of the senior class accounts and promptly prepare and follow the disposition plan.	Concur	<ul style="list-style-type: none"> Financial Secretary will attempt to locate previous class officers to determine the plan for dormant accounts. If the officers aren't located a plan for disposition will be submitted to the Accounting and Financial Reporting Office for approval. A plan will be provided going forward. 	March 1, 2021	Partially Implemented
5.	<u>2021.05: Documentation of Fund Transfer</u>	The record keeping staff should document the principal's approval when transfers are recorded. Evidence of the principal's approval must be retained for review.	Concur	<ul style="list-style-type: none"> All proof sheets generated in SFO will be reviewed and signed by myself and Mr. Mabry, and kept in a binder. 	February 1, 2021	Partially Implemented

Principal Signature  _____

Date 1/22/2021 _____