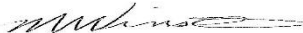


February 25, 2021

MEMORANDUM

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

E. Carlene Murray, Ed. D, Principal
Northwestern High School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period August 1, 2017 through October 31, 2020

An audit was completed on the financial records of **Northwestern High School** for the period August 1, 2017 through October 31, 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 **March 25, 2021** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address internal.audit@pgcps.org. A copy of your audit should also be forward to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, Student Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Please note that you are required to provide your action plan using the attached Microsoft word template

Enclosure

cc: Juanita Miller, Ed. D, Board Chair
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
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Supervisor, Internal Audit
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report
Northwestern High School
Student Activity Funds
For the Period Ended October 31, 2020

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

Table of Contents

INTERNAL AUDITOR’S REPORT2
SUMMARY 3
OBJECTIVES 3
SCOPE 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS 9
ACKNOWLEDGEMENT 9

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Northwestern High School for the period August 1, 2017 through October 31, 2020. Northwestern 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;*
- *Vending Machine Operation;*
- *Documentation of Approval of Fund Transfers and*
- *Document Retention*

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 October 31, 2020.



Michele Winston, CPA
Director, Internal Audit

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

SUMMARY

The Internal Audit Department completed an audit on the student activity funds for Northwestern High School for the period August 1, 2017 through October 31, 2020. The audit was conducted as part of the audit plan for the year.

This audit report includes **5** findings that occurred under the leadership of the current 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 Accounting Procedures Manual for School Activity Funds 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 August 1, 2017 through October 31, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

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:

- A. ***Inadequate Documentation of Funds Received:*** There were **3** instances where funds collected at the school lacked adequate documentation. Concession reports and snack fundraiser reports were not included to support the amounts recorded on the MTFs in those instances.
- B. ***Delinquent Deposits:*** There were **35** instances where the funds received were not deposited timely. The delinquency ranged from **2 to 51** days after initial collection by staff members.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states the following:

- A. Staff members collecting funds is required to complete a MTF and submit it to the bookkeeper along with funds collected. 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 to substantiate the collection.
- B. All funds collected must be remitted to the bookkeeper on the day of collection, along with a completed MTF. The bookkeeper is required to 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 following were the causes of the non-compliance:

- A. According to the financial secretary, the staff members were made aware of the requirement to attach adequate documentation to the MTFs. However, there have been occasions where the staff members forgot to include the required supporting documentation.
- B. Reportedly, the procedures pertaining to the collection and remittance of funds have been repeatedly communicated to staff members; however, some staff members obtained

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

MTFs and ignored the requirement to remit funds collected daily. Funds were only remitted after collection for the specific activity was completed in the noted instances. Inadequate documentation of funds received constitutes noncompliance with Board policies and procedures and increases the risk of loss. Documentation necessary to substantiate whether all SAF collected was subsequently deposited was not available. Delinquent deposit of funds increases the risk of loss while impacting the timeliness of reporting of collections.

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

- A. 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 including adequate documentation to support funds documented on MTFs. Accountability could include obtaining staff members' signed acknowledgment of their training and understanding of the collection procedures. The financial secretary should promptly follow-up with staff when appropriate supporting documentation is not included with MTFs.
- B. The principal and financial secretary should agree on a designated time during the day for staff members to remit funds collected to the financial secretary to encourage prompt remittance of funds for deposit. Staff members must also be reminded that, they are prohibited from keeping funds in their classrooms overnight. The principal should hold staff members accountable for compliance.

2021.02: Mismanagement of Disbursements

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

- A. ***Inadequate Documentation of Disbursements:*** There were **15** instances where the funds disbursed lacked the pertinent documentation to substantiate the amount of the checks. The following documentations were not available for review: invoices or receipts and Schools Funds Expenditure Forms (SFEFs).
- B. ***Inadequate Approval:*** There were **14** instances where the principal's preapproval was not obtained prior to the school's funds being obligated.
- C. ***Delinquent Payment of Invoices:*** There were **3** instances where payments were not made to the vendors timely. The delinquency ranged from approximately **18** days to **240** days.

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

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

- A. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sale, etc.
- B. 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 individuals fail to obtain approval.
- C. Vendor invoices should be paid within 30 days of the invoice date or by the specified due date of the invoice. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.

The following were the causes for the instances mismanagement of disbursements:

- A. The instances of inadequate documentation occurred because the financial secretary failed to properly review cash disbursement documentation provided and follow-up with the staff members regarding additional documentation, prior to processing payments or reimbursements.
- B. 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 as internal controls were relaxed.
- C. There was an attempt to pay the vendor invoice through Oracle in one instance. The payment was rejected which resulted the check being processed after the due date. The financial secretary was not aware of the outstanding invoices until after the due dates in the other instances. Staff members did not submit the invoices timely for payment.

There is increased financial risk to the school when sufficient documentation is not provided to substantiate disbursements. Also, the risk of fraud increases when receipts or invoices are not provided to substantiate expenditures. Inadequate approval of expenditures can result in accounts being overspent and eventually insolvency of the school's SAF. Financial records are inaccurate when bills are outstanding beyond their due dates as expenditures are not recorded in the accounting system. This may result in the occurrence of late fees being assessed to the school.

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

- A. The financial secretary and principal should review all disbursement requests and ensure that, the supporting documentation is adequate (an original cash register receipt, invoice, bill of sale, etc.) prior to approving expenditures and preparing checks. The financial secretary must be held accountable for ensuring the adequacy of disbursement documentation.

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

B. The principal and financial secretary should reinforce internal controls over the expenditure pre-approval process to ensure that staff members comply. Staff members must have repeated training on the process and held accountable for compliance.

C. The principal should implement internal controls to ensure that the financial secretary maintains a file for invoices and inspects the file periodically for payments as they become due. All staff members must be reminded of their responsibility to submit invoices promptly for processing.

2021.03: Vending Machine Operation

Northwestern High School operates 11 vending machines (7 soda and 4 snacks). A vending contract was not signed for the FY 2020 school year to establish terms of operation for the vending machines.

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

According to the financial secretary, the school may have signed a contract in FY2020. However, the contract could not be made available in the course of the audit.

Without a valid vending contract, the school may not be deriving maximum benefits from the operation of these vending machines.

Recommendation: The school should ensure that a contract is signed every year as required by the requirements for vending sales. Purchasing and Supply Services should be contacted in the absence of a signed vending contract.

2021.04: Documentation of Approval of Fund Transfers

There were 5 instances where *Journal Entry Proof Sheets* to substantiate the principal's approval of transfers between restricted fund accounts could not be located 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 *SchoolFunds Online*.

Reportedly, the financial secretary normally documents approval of transfers. The 5 instances where written approval was not retained was an oversight.

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

Failure to obtain approval of fund transfers constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff since it masks the true available balance of the funds affected.

Recommendations: The financial secretary should always obtain written approval of the principal whenever transfers are made between restricted accounts. Evidence of approval should be retained and made available for auditor review.

2021.05: Document Retention

The following instances were noted where documentation to substantiate financial transactions were not provided for review:

- ***Year-End Monetary Transmittal Forms*** - End of year MTF envelopes containing **87** MTFs, were not located for 2 staff members selected for review during FY 2019. There were also **113** MTFs that were not submitted by 1 of the 2 staff members selected for review in FY 2020. Yellow MTF remittances were not included in the second staff member's MTF envelope in **13** instances.
- ***Voided Checks*** - Voided checks and supporting documentation were not available in **21** instances; and
- ***School Funds Expenditure Forms*** - SFEFs and accompanying documentation could not be provided for **5** disbursements.

According to Section 6.12 of Accounting Procedural Manual, Record Retention, 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, School Funds Expenditure Forms, cancelled checks and contracts.

The APM also states that 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 cash. After approving a MTF, the bookkeeper returns 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 MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator. The bookkeeper will print the *SFO Receiptee History Report* and submit it to a designated administrator. This alerts the administrator which MTF envelope packages to expect.

Reportedly, due to the COVID-19 closings and reopening, some staff members were not comfortable to return to the school to submit their FY 2020 MTF envelopes. The financial secretary is not sure why some of the MTFs were not returned to the administrator in FY 2019.

Northwestern High School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2020

The financial secretary could not provide an explanation why the other documents; i.e. voided checks and SFEFs, were not in the files.

It could not be verified that the relevant transactions were processed in accordance with the requirements of the APM because of the unavailability of documentation.

Recommendation: Staff must be reminded of the importance of submitting year-end MTF envelopes as required and be held accountable for compliance. Provision should be made for MTF envelope submission in extreme situations.

The principal and financial secretary must implement an adequate records management system that ensures all financial records are properly compiled, filed and maintained until they are audited or required for review by any approved individual of organization in accordance with the APM.

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Northwestern High School was issued for the period ended July 31, 2017. The current principal and financial secretaries were both in their current positions at that time. The previous audit report contained 5 findings and 3 of those findings were repeated in this audit. The current status of those findings is indicated below.

- **Mismanagement of Funds Received** - Condition still exists. See Finding 2021.01 regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** - Condition still exists. See Finding 2021.02 regarding *Mismanagement of Disbursements*.
- **Vending Machine Contract** - Condition still exists. See Finding 2021.03 regarding *Vending Machine Operations*.
- **Untimely reconciliations** - Condition was not noted during this audit.
- **Management Oversight** - Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Northwestern HS
Response Due Date March 25, 2021

	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 funds received:</p> <p>A. The financial secretary must continue to review the collection procedures with staff members at the next in-service. Dr. Murray must hold staff members accountable for following the policies and procedures relative to including adequate documentation to support funds documented on MTFs. Accountability could include obtaining staff members' signed acknowledgment of their training and understanding of the collection procedures. The financial secretary should promptly follow-up with staff when appropriate supporting documentation is not included with MTFs.</p> <p>B. Dr. Murray and financial secretary should agree on a designated time during the day for staff members to remit funds collected to the financial secretary to encourage prompt remittance of funds for deposit. Staff members must also be reminded that, they are prohibited from keeping funds in their classrooms overnight. Dr. Murray should hold staff members accountable for compliance.</p>	Concur	<p>Dr. Murray will ensure that each Staff Member signed that they have been re-trained and understand the collection procedures. Any staff who do not follow the procedures on which they have been trained will be accountable.</p> <p>Staff members will remit funds to Ms. Pratt at 3:30 p.m. each day. Staff may use the safe in the Main Office when Ms. Pratt is not available. Dr. Murray will remind Staff that they must not keep money in their classrooms/work locations overnight. Dr. Murray will hold Staff accountable who are not in compliance.</p>	April 9, 2021	Partially Implemented

Principal Signature Claudia Murray, Ed.D.
Date 03.25.2021

2.	<p><u>2021.02:</u> <u>Mismanagement of Disbursements</u></p>	<p>The following steps must be taken to improve the management of disbursements:</p> <p>A. The financial secretary and principal should review all disbursement requests and ensure that, the supporting documentation is adequate (an original cash register receipt, invoice, bill of sale, etc.) prior to approving expenditures and preparing checks. The financial secretary must be held accountable for ensuring the adequacy of disbursement documentation.</p> <p>B. Dr. Murray and financial secretary should reinforce internal controls over the expenditure pre-approval process to ensure that staff members comply. Staff members must have repeated training on the process and held accountable for compliance.</p> <p>C. Dr. Murray should implement internal controls to ensure that the financial secretary maintains a file for invoices and inspects the file periodically for payments as they become due. All staff members must be reminded of their responsibility to submit invoices promptly for processing.</p>	Concur	<p>Dr. Murray will review all disbursement requests with Ms. Pratt each week and ensure that all supporting documentation is adequate prior to approving expenditures and preparing checks. Should any discrepancies arise, Dr. Murray will hold Ms. Pratt accountable for ensuring the adequacy of disbursement documentation.</p> <p>During the re-training, Dr. Murray and Ms. Pratt will reinforce the internal controls over the expenditure pre-approval process to ensure that staff members comply. Staff will continue to have repeated training and will be held accountable for non-compliance.</p> <p>Dr. Murray will implement internal controls to ensure that Ms. Pratt maintains a file for invoices. Dr. Murray will inspect the files on a bi-weekly basis when meeting with Ms. Pratt for their weekly meetings. Ms. Pratt will maintain a red file that will contain all pertinent documents.</p> <p>Staff will be reminded of their responsibility to submit invoices promptly for processing during repeated training.</p>	April 8, 2021	Partially implemented
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Principal Signature Claire C Murray, Ed.D.
Date 03.25.2021

3.	<u>2021.03: Vending Machine Operation</u>	The school should ensure that a contract is signed every year as required by the requirements for vending sales. Purchasing and Supply Services should be contacted in the absence of a signed vending contract.	Concur	To date we have been unable to get a contract. All machines at Northwestern High School have been removed as of March 24, 2021. Moving forward, the managers of the vending machine companies must meet with Dr. Murray and Ms. Pratt to sign a contract before returning the machines to Northwestern High School.	March 24, 2021	Partially implemented
4.	<u>2021.04: Documentation of Approval of Fund Transfers</u>	The financial secretary should always obtain written approval of Dr. Murray whenever transfers are made between restricted accounts. Evidence of approval should be retained and made available for auditor review.	Partially Concur	The transfer forms were signed by Dr. Murray however, they were submitted late by Ms. Pratt. As a result, Ms. Pratt will reorganize her filing system to ensure that they are easily accessible to the Auditor, Ms. Pratt and Dr. Murray. All transfer requests were signed as appropriate however, they were readily accessible due to Ms. Pratt's filing system. This will be rectified by the reorganization of the filing systems.	April 8, 2021	
5.	<u>2021.05: Document Retention</u>	Staff must be reminded of the importance of submitting year-end MTF envelopes as required and be held accountable for compliance. Provision should be made for MTF envelope submission in extreme situations. Dr. Murray and financial secretary must implement an adequate records management system that ensures all financial records are properly compiled, filed and maintained until they are audited or required for review by any approved individual of organization in accordance with the APM.	Concur	At the end of year close-out, Dr. Murray will assign each Assistant Principal with the responsibility of collecting year-end MTF envelopes as required. Dr. Murray will hold any Staff member accountable who does not remit the MTF envelope by the designated date. Ms. Pratt will reorganize the filing system to ensure that all financial records are properly compiled, filed and maintained until they are audited	June, 2021	

Principal Signature Cherie C Murray, Ed.D.
Date 03.25.2021

				or required for review by any approved individual or organization in accordance with the APM>		
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Principal Signature Claire Murray, Ed.D.
Date 03.25.2021