



June 10, 2021

MEMORANDUM

To: Ava Tasker-Mitchell, Ph.D., Instructional Director
Cluster 1

Barbara Bottoms, Ed. D., Principal
Rogers Heights Elementary School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for July 1, 2016 through February 28, 2021

An audit of the financial records of **Rogers Heights Elementary School** was completed for the period July 1, 2016 through February 28, 2021. The audit indicates that the school's financial records and procedures require significant improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **July 12, 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. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, Student Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

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Members, Board of Education
Mychael Dickerson, Chief of Staff
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Rogers Heights Elementary School for the period July 1, 2016 through February 28, 2021. Rogers Heights Elementary 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 findings:

- *Missing Funds;*
- *Mismanagement of Disbursements;*
- *Administration of Voided Checks;*
- *Mismanagement of Funds Received;*
- *Record Retention;*
- *Delinquent Monthly Bank Reconciliation;*
- *Excessive Spending in Restricted Accounts;*
- *Inappropriate Use of Refund Vendor Option;*
- *Vending Machines Contract;*
- *Non-compliance with Authorized Signers Requirement;*
- *Lines of Credit; and*
- *Management Oversight*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual for School Activity Funds (APM).

In our opinion, the SAF referred to above, requires improvement to achieve compliance with BOE policies and procedures and the APM, in all material respects, for the period ended February 28, 2021.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Rogers Heights Elementary School for the period July 1, 2016 through February 28, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **12** 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. In addition, 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and monetary transmittal form (MTF) envelopes submitted by staff for the period July 1, 2016 through February 28, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned audit period. There were a significant number of documents that were not on file for review. (*See 2021.05 Record Retention*)

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

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2021.01 Missing Funds

Missing funds pertaining to **4** purchases made at Walmart were identified. The amounts of the purchases totaled **\$1,425.00** and store receipts totaled **\$1,181.18** resulting in missing funds of **\$243.82**. Also, 1 of these checks in the amount of **\$500.00** was presented for payment twice. Overall, the school's SAF suffered an aggregate loss of **\$743.82**.

- During FY 2017 and FY 2018, there were **3** instances where checks were issued payable to Walmart for purchases made by the principal and staff members for items to be used by the school. There was no evidence that excess funds from the purchases totaling **\$71.36** were remitted to the school's SAF.
- During FY 2019, there was **1** instance where Check #10997 in the amount of \$500.00 **was** made payable to Walmart for school purchases. Staff Member A exchanged the check for a Walmart gift card and made purchases totaling \$327.54. The excess funds of **\$172.46** was remitted to the recordkeeping staff who acknowledged receipt of the funds via a gift card. However, the gift card could not be located at the time of the audit. There was no evidence that school purchases were made on the remitted gift card.
- Check #10997 in the amount of **\$500.00** was also successfully presented for payment at a financial institution that is not where Staff Member A banks. The back of the check was endorsed by Staff Member A and included her driver's license number. As of the date of the exit conference, May 20, 2021, the **\$500.00** was not repaid to the school's SAF. Staff Member A admitted to her signature and driver's license number information on the endorsed check. She made no comments as to responsibility for restitution.

According to the APM, the principal is the fiduciary agent for SAF. As such, responsibility for accounting, safeguarding and managing the SAF, in accordance with PGCPS policies and procedures, rest solely with the principal. The bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.

The principal did not establish proper internal controls for issuance of checks for purchases made at Walmart and the return of excess funds from the purchases in the **4** instances. According to the recordkeeping staff and review of supporting documentation, evidence to

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substantiate whether excess funds of **\$243.82** (\$71.36 and \$172.46) were remitted to the recordkeeping staff does not exist. Staff members were not held accountable to return unspent funds to the school.

Weak internal controls and inadequate accountability over funds advanced to staff for purchases at Walmart has resulted in an aggregate loss to the school's SAF of **\$743.82**. The principal did not properly report that the \$500.00 check made payable to Walmart had been cashed to Internal Audit or the Office of Safety and Security Services. The audit trail for ensuring that all SAF refunds are properly remitted was weakened.

Recommendation: The principal should implement adequate internal controls to properly issue checks in advance to staff members and establish accountability for teachers to remit unspent funds on MTFs to the recordkeeping staff as required.

Restitution for missing funds of **\$743.82** should be made. Specifically,

- The principal is accountable for missing SAF of **\$71.36**, since the principal stated that she could have made purchases in addition to staff members.
- The recordkeeping staff is accountable for the **\$172.46**, and
- Staff Member A is accountable for the **\$500.00**.

The Employee and Labor Relations Office (ELRO) should take appropriate action to ensure accountability for restitution to the school.

2021.02 Mismanagement of Disbursements

Cash disbursements reviewed during the audit were not processed in accordance with BOE policies and procedures. Some transactions had multiple noncompliance or internal control weaknesses. The following exceptions pertaining to management of disbursements were noted:

- A. ***Inadequate Approval*** – There were **7** instances where expenditures were not adequately approved. The School Funds Expenditure Forms (SFEF) were incomplete in **3** instances; the SFEF was not signed or dated by the principal in **1** instance, and corrections to the SFEF were not initialed in **3** instances. Also, white-out was used to make corrections on the SFEF.
- B. ***Documentation Not Located*** – There **3** instances where supporting documentation could not be located for purchases totaling **\$2,000.00** made at Walmart and Kids for Less.

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- C. ***Unapproved Vendor/Services Rendered*** – There was **1** instance where a reimbursement of **\$259.87** was paid to the principal for payment to an unapproved vendor. The Gallup Strengths Center is not an approved vendor in School Funds Online (SFO).

The APM provides the following guidelines regarding the administration of cash disbursements:

- A. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal. Correcting errors using correction fluid, “whiteout” or any other method that obscures the original entry on the form is not permitted. A line is required to be drawn through the error and the initials inserted indicating the staff member making the correction.
- B. All checks must have itemized documentation attached to the SFEF that supports the amount of the check.
- C. All checks must be written to an Approved/Active vendor in *School Funds Online*.

The recordkeeping staff did not follow established internal controls relative to management of disbursements by ensuring that SFEFs were properly completed and all supporting documentation including cancelled checks were maintained on file for review by the auditors.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to adequately approve expenditures, use approved vendors and properly complete SFEFs could result in payment for goods and services that were not received and increases the school's vulnerability to potential misuse or waste of resources.

Recommendation: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal must ensure staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance.
- B. SFEFs should be entirely completed by staff prior to submission.
- C. The recordkeeping staff must ensure that SFEFs are properly supported and prior to processing vendor payments.

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- D. The principal demonstrate compliance with the requirements by ensuring that only approved vendors are used for purchases as outlined in the APM.

2021.03 Administration of Voided Checks

The following exceptions pertaining to administration of voided checks were noted:

- There were **5** instances where voided checks were not properly voided by removal of the signature line.
- There was **1** instance where a voided check was not entered in the SFO accounting system.

According to the APM, all voided checks must be entered in SFO and have “VOID” written across the face of the check. Voided checks are also required to be entered into SFO accounting system.

The recordkeeping staff did not always follow established internal controls relative to ensuring that all signature lines were removed and voided checks were properly entered in the SFO accounting system because of competing recordkeeping responsibilities.

Mismanagement of checks constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to properly void checks by removal of the signature line could result in unauthorized negotiation of checks. Also, failure to record voided checks in SFO impacts accountability for each financial transaction.

Recommendation: The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO when voided, and the signature line must be removed during the voiding process. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant with the requirements for processing checks.

2021.04 Mismanagement of Funds Received

Collections reviewed during the audit period were not processed in accordance with BOE policies and procedures. The following exceptions pertaining to management of receipts were noted:

- A. ***Delinquent Deposits*** – There were **11** instances where deposits were not made in a timely manner. The range of delinquency was between 2 and 48 days.

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- B. ***Inadequate Supporting Documentation*** – There were **11** instances where collections were not properly supported. Specifically, there was no supporting documentation attached in **6** instances, and in **5** instances, the amounts on supporting documentation did not equal the amounts stated on the MTFs.
- C. ***Fundraiser Forms Not Completed*** – There were **2** instances where the Fundraiser Request and Authorization forms, Fundraiser Completion Reports, and the Annual Fundraising Summary Reports were not completed to support sponsored fundraisers in accordance with the requirements in the APM.
- D. ***Incomplete Monetary Transmittal Forms*** – There were **2** instances where Sections 1 and 2 of the MTF were not completed properly. Section 1 of the MTF did not include the fund account in both instances, and Section 2 of a MTF was not totaled in the other instance.
- E. ***Changes Made to Monetary Transmittal Forms*** – There were **5** instances where changes made to MTFs were not initialed. Also, changes to a MTF were initialed by the recordkeeping staff instead of the preparer of the MTF.

The APM provides the following guidelines regarding the administration of funds received:

- A. Bookkeepers 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. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. MTFs are required to be supported with student remittance forms, fundraiser forms or other documentation that shows the source and purpose of funds. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs.
- C. Sponsored fundraisers must be formally approved by the principal using a Fundraiser Request Authorization Form. A Fundraiser Completion Report must be prepared by the sponsor, reviewed and acknowledged by the principal. Additionally, the Principal should prepare an annual report summarizing all fundraising activities concluded during the year. The data in this annual report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.
- D. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs. Sections 1 and 2 are required to be entirely completed. The exact make-up of the funds and the total amount being remitted to the bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report.

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- E. Changes and alterations made to MTFs require initials by the staff member making the change.

The principal and school staff did not timely remit funds collected on MTFs to the recordkeeping staff upon receipt. BOE policies and procedures as established in the APM were not followed to ensure deposits were made timely. The requirement for completion of fundraiser forms was not communicated to fundraising sponsors. The recordkeeping staff did not perform verification and maintenance of all MTFs and supporting documentation prior to accepting the forms and making deposits.

Failure to adequately perform bookkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Delinquent deposits of funds impact the accuracy of financial reporting upon which administrators rely to make financial decisions. Inadequate supporting documentation, recording and approval of collections impact the audit trail for ensuring that funds collected were deposited to benefit the student body.

Recommendation: The following corrective actions are recommended for compliance with BOE policies and procedures:

- A. Teachers must be informed that funds collected cannot be held overnight. The principal must set the tone for compliance with timely remittance of deposits. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The Principal should hold all staff accountable for compliance.
- B. The recordkeeping staff must ensure that all MTF documentation is complete including verifying that all supporting documentation is attached along with the MTF prior to acceptance and deposit of funds. MTFs that are not properly completed should be returned to the initiators for correction.
- C. The principal must establish internal controls to ensure that fundraising sponsors complete the required fundraising forms for fundraising events held. These documents must be maintained on file for public and auditor review upon request.

2021.05 Record Retention

The following documentation was not made available for audit:

- **21** - Cancelled checks (FY 2017 through FY 2021), **6** – Fund Transfers Journal Entry Proof Sheets (FY 2018 and FY 2019),
- **1** – Pink and Yellow MTF Remittance (FY2019),
- **6** - Pink and Yellow MTF Remittance (FY2020),

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- 4 - Pink MTF Remittances (FY2019), and
- 3 - Pink MTF Remittances (FY 2020)

According to **Section 6.12** of the Accounting Procedures 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 Fund Expenditure Forms, cancelled checks and contracts.

Each staff member who collects SAFs is responsible for maintaining an envelope containing both pink and yellow copies of MTF remittances generated during the year. The staff member is required to submit the signed, sealed envelope to the designated administrator prior to the year-end check out. The envelopes should remain sealed until requested by Internal Audit.

The recordkeeping staff did not properly maintain an adequate filing system during the audit period. Staff did not follow the MTF submission policies and procedures due to a lack of consistent documented training. The principal did not provide sufficient oversight. These actions caused the school to be non-compliant with BOE policies and procedures as established in the APM.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The following corrective actions should be implemented:

- A. The principal must ensure proper custody of all SAF records until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents are accessible for review.
- B. Staff must be reminded of their responsibility for MTF envelope submission during the year-end checkout process. The recordkeeping staff should print the “*Receiptee History*” report from the accounting system and provide it to the administrator responsible for collecting MTF envelopes. The principal should instruct the administrator to obtain MTF envelopes based on the printed report. Each employee must be held accountable for returning MTF envelopes, including all processed MTFs, as part of the year-end checkout process.

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2021.06 Delinquent Monthly Bank Reconciliations

Monthly reconciliations and financial reporting by the 15th of each month was not performed timely. There were **24** instances where the school's bank account was **not** reconciled timely. The range of delinquency was 2 to 97 days.

The principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal forwards the documents to the bookkeeper for reconciliation. The bookkeeper should complete the reconciliation within 7 days after receiving the statement from the bank. Typically, this process is completed by the 15th of each month. The completed reconciliation should be returned to the principal every month for review and approval. After review and approval, all reports and related documentation should be organized and maintained in three-ring binders identified by fiscal year.

The principal did not exercise consistent oversight to ensure that monthly reconciliations and financial reporting was completed by the 15th of each month. The recordkeeping staff stated that bank statements are received late through the mail which causes delays in timely preparation of monthly reconciliations. BOE policies and procedures as established in the APM regarding monthly reconciliation and financial reporting were not followed.

Performance of timely bank reconciliations helps ensure that erroneous or fraudulent bank activities are promptly addressed. Moreover, current financial information is required to help ensure timely completion of the audit.

Recommendation: The principal must establish procedures and provide consistent oversight to ensure that monthly bank reconciliations and financial reporting occur by the 15th of each month and related documentation is organized and maintained as required. The principal should request electronic copies of bank statements to ensure preparation of monthly bank reconciliations by the 15th of each month.

2021.07 Excessive Spending in Restricted Accounts

The School Activity Fund has **4** restricted fund accounts with deficits totaling **(\$733.66)** as of February 28, 2021. The following is a listing of accounts with deficits:

- 450.20 PSA-Food account has a deficit of **(\$136.73)**
- 450.30 PSA-Staff Appreciation account has a deficit of **(\$200.00)**
- 450.50 PSA-Transfers In account has a deficit of **(\$120.57)**
- 565.00 Material of Instruction account has a deficit of **(\$276.36)**

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According to the APM, Section 9.6, *Principal-Sponsored Activities (PSA) for Staff*, indicates discretionary expenditures incurred by the principal on behalf of the school staff are grouped in the PSA accounting category. These activities must be of a professional nature that enhances the staff member's job performance. Expenditures for authorized principal sponsored activities are restricted to funds available from the sources as outlined in the manual, which includes 100% vending commissions in the staff lounge, 25% of vending commissions from student accessed machines up to the first \$50,000.00 and 15% of school-wide fundraising profits. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The principal did not exercise proper monitoring and adequate oversight by properly reviewing restricted accounts to ensure that restricted accounts maintained a positive balance when approving expenditures. Reportedly, excessive spending over the years resulted in the account deficits. According to the principal, Rogers Heights is a Title I school, and school-wide fundraisers do not generate enough profit to resolve the deficits. BOE policies and procedures as established in the APM regarding the use of restricted funds were not followed.

School activity funds were expended with disregard to available funding.

Recommendation: Internal controls should be implemented to ensure that all potential expenditures are evaluated with regard to available resources and due care is exercised to ensure that resources used are based on availability and expended for maximum benefit of the students. All funds received from future school-wide fundraisers should be applied to the deficits to re-establish solvency in the accounts. Spending in these accounts must cease until the deficits are resolved.

2021.08 Inappropriate Use of Reimbursement Vendor Options

There were 3 instances where cash disbursement transactions were incorrectly processed for field trip refunds to parents totaling \$21.00 using the "Reimbursement" vendor option instead of the "Refund" vendor option.

According to the APM, all checks must be written to an Approved/Active vendor in SFO. The only exceptions are for staff reimbursements and parent refunds. For checks refunding parents, the "*Refund*" vendor option is required to be used.

The recordkeeping staff was unaware of the requirements in the APM for proper classification of refund checks to parents. BOE policies and procedures as established in SFO regarding the use of the "Refund" vendor option was not followed. As a result, the school's financial records may not have been accurately stated. Failure to follow instructions for processing refunds and reimbursements places the school system in a position of non-compliance with BOE policies and procedures.

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Recommendation: The principal must establish procedures to ensure that all future cash disbursements are accurately recorded in SFO. Additionally, correcting entries must be made for the improper postings to ensure accurate accounting of all transactions. A thorough review of the APM must be performed by the recordkeeping staff to become familiar with the appropriate requirement for use of the “Refund” vendor option in SFO.

2021.09 Vending Machines Contract

The school administers a soda vending machine. However, a current signed contract was not on file. According to the APM, Section 9.8, *Vending Machine Sales*, all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency these commissions are remitted. The contract term cannot exceed one year.

The principal did not ensure that the school established a contractual agreement for vending services. The absence of a valid vending agreement, prevents the BOE from deriving the maximum benefits from the operation of the vending machines.

Recommendation: The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract.

2021.10 Non-Compliance with Authorized Signers Requirement

The authorized signatories on the school’s bank account included the principal, 2 current assistant principals, a former assistant principal, the former recordkeeping staff, and a Secretary II not associated with the school. The current recordkeeping staff is **not** on the account as an authorized signatory.

According to the APM in Section 4.2 Bank Accounts, 4.2.2 *Procedures*, there must be at least 3 authorized signers on the checking account (principal, bookkeeper and another administrator). The principal and bookkeeper should be primary signers on the account. The third signer should be an administrator (i.e., assistant-principal, teacher-in-charge or wing coordinator) who signs checks in the principal’s absence.

Established internal controls relative to authorized signatories were not followed. The signature card on file at the financial institution was not immediately updated when there were personnel changes with school staff. The current recordkeeping staff indicated that she was unaware of the process to be added as a check signer. The principal and recordkeeping staff did not fully read the APM.

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Failure to follow instructions for authorized signatories places the school in a position of non-compliance with BOE policies and procedures and increases the school's financial risk for fraud, waste and abuse.

Recommendation: The principal must take immediate action to add the current recordkeeping staff and remove former staff and administrators. The principal should contact Treasury Services for assistance.

The principal and recordkeeping staff must take some time to familiarize themselves with the requirements of the APM and establish internal controls to ensure that the bank signature card are kept current and appropriately updated.

2021.11 Lines of Credit

The school established a line of credit (LOC) in FY 2017 with the retail company, *Things Remembered*, in the name of Prince George's County Board of Education. Pursuant to the terms of the agreement, an application for credit was approved and an order was placed in the amount of \$179.00. The former recordkeeping staff was stated as the customer and the principal provided the customer signature.

According to the APM, Section 6.6, *Credit Cards, Lines of Credit and Membership Cards*, the use of credit cards is prohibited. Similarly, purchase cards and LOC are prohibited for SAF. A LOC typically results in interest charges and late fees if payments are not prompt.

Established internal controls relative to credit cards, lines of credit and memberships cards were not followed because the principal and former recordkeeping staff did not entirely read and adhere to the requirements in the APM.

The use of lines of credit leads to significant internal control weaknesses that leave the school vulnerable to questionable, improper and potentially fraudulent purchases. Failure to follow BOE policies and procedures increases the school's financial risk and exposure to fraud.

Recommendation: The principal must immediately close the Things Remembered LOC account and establish internal control procedures to prevent future establishment of credit accounts.

2021.12 Management Oversight

The principal did not exercise proper oversight in the administration of the SAF. The current Principal has been assigned to the school since the last audit in 2015 and all prior audit findings are repeated. Continued improvement is necessary for compliance with BOE policies and procedures as established in the APM.

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According to the APM, the principal is the fiduciary agent for SAFs. The principal is responsible for accounting, safeguarding, and managing the SAF, in accordance with PGCPs policies and procedures.

BOE policies and procedures pertaining to the collection, recordkeeping and oversight of SAF as established in the APM were not followed.

This resulted in internal controls being compromised. Students are not receiving the maximum possible benefit of the resources available to them when SAF is not properly administered.

Recommendation: The principal should carefully review guidance for the administration of SAFs in the APM to ensure that internal controls are operating effectively. The principal should be involved in the daily management of the school's resources. Continued improvement of the internal control environment should be emphasized by focusing on these 5 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 Rogers Heights Elementary School was issued for the period ended June 30, 2015. During that period, the current Principal was assigned to the school; however, the recordkeeping staff was not in her current position. The principal did not complete and submit an action plan for the prior audit. The previous audit report included 5 reportable conditions, and all are repeated findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** – Condition still exists. See Finding 2021.03, regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See Finding 2021.02, regarding *Mismanagement of Disbursements*.
- **Fundraising Forms** – Condition still exists. See Finding 2021.04, regarding *Mismanagement of Funds Received*.

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- **Administration of Checks** – Condition still exists. See Finding 2021.03, regarding *Administration of Voided Checks*.
- **Management Oversight** – Condition still exists. See Finding 2021.12, regarding *Management Oversight*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Rogers Heights Elementary School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Rogers Heights ES
Response Date July 12, 2021**

| | Findings | Recommendations | Concur Non-Concur Partially Concur | Action Plan | Corrective Action Date | Status Implemented Partially Implemented Not Implemented |
|----|--------------------------------------|---|---|--------------------|-----------------------------------|---|
| 1. | <u>2021.01: Missing Funds</u> | <p>The principal should implement adequate internal controls to properly issue checks in advance to staff members and establish accountability for teachers to remit unspent funds on MTFs to the recordkeeping staff as required.</p> <p>Restitution for missing funds of \$743.82 should be made. Specifically,</p> <ul style="list-style-type: none"> • The principal is accountable for missing SAF of \$71.36, since the principal stated that she could have made purchases in addition to staff members. • The recordkeeping staff is accountable for the \$172.46, and • Staff Member A is accountable for the \$500.00. | Do Not Concur | | | |

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| | | The Employee and Labor Relations Office (ELRO) should take appropriate action to ensure accountability for restitution to the school. | | | | |
| 2. | <u>2021.02: Mismanagement of Disbursements</u> | <p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The principal must ensure staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance.</p> <p>B. SFEFs should be entirely completed by staff prior to submission.</p> <p>C. The recordkeeping staff must ensure that SFEFs are properly supported and prior to processing vendor payments.</p> <p>D. The principal demonstrates compliance with the requirements by ensuring that only approved vendors are used for purchases as outlined in the APM.</p> | | 1. For the 2022 school year there will be a staff presentation ensuring the do's and don'ts regarding disbursements, pre-approval for purchases using SAF funds and all supporting documentation will be supplied and attached to SAF request. | | |

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| 3. | <u>2021.03</u> <u>Administration of</u> <u>Voided Checks</u> | The recordkeeping staff must be reminded of the importance of administering checks as required by the BOE. All voided checks must be entered in SFO when voided, and the signature line must be removed during the voiding process. The principal must perform periodic review of the check file to ensure that the recordkeeping staff is compliant with the requirements for processing checks. | | 1. Recordkeeping staff will be more vigilant with removing signature lines on voided checks. | | |
| 4. | <u>2021.04</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u> | The following corrective actions are recommended for compliance with BOE policies and procedures: A. Teachers must be informed that funds collected cannot be held overnight. The principal must set the tone for compliance with timely remittance of deposits. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The Principal should hold all staff accountable for compliance. B. The recordkeeping staff must ensure that all MTF documentation is complete including verifying that all supporting documentation is attached along with the MTF prior to acceptance and deposit | | 2. Staff meetings will be held throughout the school year to ensure and review policies and procedures. We will discuss the following: the use and guidelines regarding money collection, filling out the Monetary Transmittal Form (MTF) correctly and impentmeion the use of the drop box/safe in the main office. | | |

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| | | <p>of funds. MTFs that are not properly completed should be returned to the initiators for correction.</p> <p>C. The principal must establish internal controls to ensure that fundraising sponsors complete the required fundraising forms for fundraising events held. These documents must be maintained on file for public and auditor review upon request.</p> | | | |
| 5. | <u>2021.05 Record Retention</u> | <p>The following corrective actions should be implemented:</p> <p>A. The principal must ensure proper custody of all SAF records until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial documents are accessible for review.</p> <p>B. Staff must be reminded of their responsibility for MTF envelope submission during the year-end checkout process. The recordkeeping staff should print the “<i>Receipt History</i>” report from the accounting system and provide it to the administrator</p> | | <ol style="list-style-type: none"> 1. All SAF end of year records are stored in the vault labeled by year and in a box. MTF Documents are separately stored by assistant principals. 2. During school opening procedures there will be a presentations provided: <p>Sample Link Below: Copy of MTF and School Funds Presentation-STAFF-1 without quiz answers</p> | |

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| | | responsible for collecting MTF envelopes. The principal should instruct the administrator to obtain MTF envelopes based on the printed report. Each employee must be held accountable for returning MTF envelopes, including all processed MTFs, as part of the year-end checkout process. | | | | |
| 6. | <u>2021.06 Delinquent Monthly Bank Reconciliations</u> | The principal must establish procedures and provide consistent oversight to ensure that monthly bank reconciliations and financial reporting occur by the 15 th of each month and related documentation is organized and maintained as required. The principal should request electronic copies of bank statements to ensure preparation of monthly bank reconciliations by the 15 th of each month. | | 1. Principal and Recordkeeping staff have discussed and agreed to transition over to electronic bank statements. In order to be in compliance with the monthly bank reconciliation deadline by the 15 th of each month. For 2021-2022 school year. | | |
| 7. | <u>2021.07 Excessive Spending in Restricted Accounts</u> | Internal controls should be implemented to ensure that all potential expenditures are evaluated with regard to available resources and due care is exercised to ensure that resources used are based on availability and expended for maximum benefit of the students. All funds received from future school-wide fundraisers should be applied to the | | 1. PSA has been in the negative since 2016. According to the SAF manual you can not use fundraising money to clear up any restricted negative accounts. Even though the principal only receives 15% of fundraisers. | | |

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| | | deficits to re-establish solvency in the accounts. Spending in these accounts must cease until the deficits are resolved. | | | | |
| 8. | <u>2021.08</u> <u>Inappropriate Use of Reimbursement Vendor Options</u> | The principal must establish procedures to ensure that all future cash disbursements are accurately recorded in SFO. Additionally, correcting entries must be made for the improper postings to ensure accurate accounting of all transactions. A thorough review of the APM must be performed by the recordkeeping staff to become familiar with the appropriate requirement for use of the “Refund” vendor option in SFO. | | 1. Record keeping staff used the function at the time that worked in order to ensure the funds were returned to parents. As of 2019 there were no such mistakes. | | |
| 9. | <u>2021.09</u> <u>Vending Machines Contract</u> | The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract. | | 1. Vending machine contracts will be renewed on a yearly basis. | | |
| 10. | <u>2021.10</u> <u>Non-Compliance with Authorized</u> | The principal must take immediate action to add the current record keeping staff and remove former staff and | | 1. Moving forward, the Bank signature card has been updated. Email chains regarding signature card | | |

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| | <u>Signers Requirement</u> | <p>administrators. The principal should contact Treasury Services for assistance.</p> <p>The principal and recordkeeping staff must take some time to familiarize themselves with the requirements of the APM and establish internal controls to ensure that the bank signature cards are kept current and appropriately updated.</p> | | can be forwarded upon request. | | |
| 11. | <u>2021.11 Lines of Credit</u> | The principal must immediately close the Things Remembered LOC account and establish internal control procedures to prevent future establishment of credit accounts. | | 1. That was not a line of credit created, the item was delivered and payment was not rendered upon delivery therefore a bill/invoice issued for items ordered in 2018. | | |
| 12. | <u>2021.12 Management Oversight</u> | <p>The principal should carefully review guidance for the administration of SAFs in the APM to ensure that internal controls are operating effectively. The principal should be involved in the daily management of the school's resources. Continued improvement of the internal control environment should be emphasized by focusing on these 5 basic principles of internal control:</p> <ul style="list-style-type: none"> ❖ Clearly defined lines of authority and responsibility; ❖ Segregation of duties; | | 1. The principal is the final authority within the school building, the principal and assistant principals are the leads within the buildings. Maintenance of documentation and records are kept by the records secretary who was appointed by the principal. The records and documentation are locked within the appointed secretary II's office. | | |

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| | | <ul style="list-style-type: none">❖ Maintenance of adequate documents and records;❖ Limited access to assets, and❖ Independent checks on performance. | | | | |
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