



January 13, 2022

MEMORANDUM

To: Janice Briscoe, Ed. D., Instructional Director
Cluster 13

Greer Bacchus, Principal
Croom High School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for June 1, 2018 through October 31, 2021

An audit was completed on the financial records of Croom High School for the period June 1, 2018 through October 31, 2021. The audit indicates 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. 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 **February 14, 2022** 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, and email address: dany.washington@pgcps.org; Katrina Greene, Student Activity Fund Support Specialist, email address: katrina.greene@pgcps.org and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

cc Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Carletta Marrow, Ed. D., Associate Superintendent
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Kelvin Campbell, Internal Auditor II

Internal Audit Report

Croom High School

School Activity Funds

For the Period Ended October 31, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Croom High School for the period June 1, 2018 through October 31, 2021. The 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:

- *Mismanagement of Disbursements,*
- *Mismanagement of Funds Received,*
- *Record Retention, and*
- *Administration of Voided Checks*

The 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 October 31, 2021.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Croom High School for the period June 1, 2018, through October 31, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated the office'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 **4** findings that occurred under the leadership of both the former and current principals. 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 whether the school complies with the policies and procedures of the APM and the BOE. It is important to recognize 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 and available canceled checks and all voided checks and MTF envelopes submitted by staff for the period June 1, 2018, through October 31, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Financial records were not always available on file for review. (*See 2022.03 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.

2022.01: Mismanagement of Disbursements

There were **12** of the **14** cash disbursements reviewed that were *not* processed in accordance with BOE policies and procedures. Some transactions had multiple non-compliance or internal control weaknesses. The following exceptions about the management of disbursements were noted:

- A. *Inadequate Approval* – There were **4** instances where expenditures were not adequately approved. The Principal did not pre-approve the School Fund Expenditure Form (SFEF) before purchases were made. In **1** instance, there was no approval either before or after the purchase was made

- B. *Delinquent Vendor Payments* – There was **1** instance where payment for expenditure for **\$315.00** was not remitted to the vendor promptly. The delinquency was **58** days.

- C. *Inadequate Supporting Documentation* – There were **9** instances where expenditures did not contain adequate supporting documentation. There was no evidence to support the expenditure. There were **7** instances where itemized documentation (i.e. invoice) was not attached to the SFEFs that support the amount of the check. Also, in 2 instances an email and a quote were used to substantiate expenditures instead of invoices.

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.

- B. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals are required to review invoices and statements for past due amounts and ensure that payments are made promptly.

- C. All checks must have itemized documentation attached to the SFEFs that supports the amount of the check. Supporting documentation for financial transactions including cash disbursements must be retained for 7 years.

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Insufficient training of staff with regards to the pre-approval process for school expenditures resulted in staff ordering goods and services prior to obtaining approval from the principal.

Reportedly, neither the principal nor recordkeeping staff reviewed open invoices and statements for past due amounts to ensure payments were made in a timely manner. The recordkeeping staff did not always perform review of supporting documentation prior to the issuance checks.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Inadequate support for check amounts can potentially lead to incorrect payments. Failure to adequately approve expenditures could result in unauthorized purchases of goods and services and increases the school's vulnerability to potential misuse or waste of its resources. Delinquent payment of invoices could result in the vendor placing the BOE's account with a collection agency where collection fees could be assessed.

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

- A. The principal should ensure all pre-approval details are provided on SFEFs prior to authorizing expenditures.
- B. The principal and recordkeeping staff must regularly review open invoice files to ensure that vendor payments are issued timely, within 30 days of receipt, or by the invoice due date.
- C. Internal controls must be established to ensure that all SFEFs are adequately supported prior to the issuance of payments.

2022.02: Mismanagement of Funds Received

Funds collected were *not* always processed in accordance with BOE policies and procedures as noted below.

- A. ***Inadequate Supporting Documentation*** - There were **13** instances where collections were not properly supported with documentation such as a deposit slip, a complete MTF, or student remittance reports, indicating the source of funds, the date of collection, and the amount of funds collected.
- B. ***Alterations Made to Monetary Transmittal Forms*** - There were **4** instances where changes made to MTFs were not initialed by the preparers of the forms.

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

- A. MTFs should be supported with student remittance forms, fundraiser forms, or other documentation that shows the source and purpose of funds. Schools must use carbon-copied deposit slips or SFO deposit slips/forms that are printed in duplicate. The original and duplicate must accompany the deposit when submitted to the bank. Once validated by the bank, the duplicate copy must be retained at the school and attached to the deposit support.
- B. According to the MTF Instructions, all changes on an MTF must be initialed.

The recordkeeping staff did not perform verification of supporting documentation prior to accepting and approving MTFs and making deposits. The recordkeeping staff accepted MTF's with alterations that were not initialed.

Failure to adequately perform recordkeeping responsibilities when processing funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected was subsequently remitted and deposited was not available. The audit trail for documenting the receipt of funds was compromised.

Recommendation: The following corrective actions should be implemented for funds received to be processed in accordance with BOE policies and procedures.

- A. The recordkeeping staff must ensure that all collection documentation is adequate by verifying that all appropriate support is attached to the MTF prior to acceptance and approval.
- B. The recordkeeping staff must ensure that all changes made on MTFs are initialed prior to acceptance and approval.

2022.03: Record Retention

Supporting documentation to substantiate financial transactions were not available for review in the following instances:

- 21 Fund Transfer Journal Entry Proof Sheets, and
- 8 Voided Checks

According to the APM Section 6.12, *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, MTFs, SFEFs cancelled checks and contracts.

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The recordkeeping staff was not aware of her responsibilities relative to record retention. The former principal did not provide the necessary oversight for this process. These actions have resulted in non-compliance with BOE policies and procedures relative to record retention.

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 current principal must provide oversight that ensures the establishment of an adequate record management system.

2022.04: Administration of Voided Checks

There were **3** instances where voided checks were not entered into the SFO accounting system as required.

According to the APM, all voided checks must be entered in SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached to approved SFEF’s or Void Check Proof Sheets.

The former principal did not hold the recordkeeping staff accountable for following established internal controls relative to the administration of checks. The current principal and recordkeeping staff have not read the APM regarding the administration of checks.

Mismanagement of checks constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school and staff. Failure to properly void checks could result in unauthorized negotiation of checks.

Recommendation: The current principal must implement the following corrective actions for the administration of checks to be in accordance with BOE policies and procedures. 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 and have “VOID” written across the face of the check. The signature line must be removed. The principal and recordkeeping staff must hold the recordkeeping staff accountable for compliance with the requirements for administering checks.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Croom High School was issued for the period ended May 31, 2018. During that audit, neither the current principal nor recordkeeping staff were in their current positions. The previous audit report included **3** reportable conditions which are not repeated in the current audit. The following findings were noted from the prior audit, and the status is indicated below:

- **Missing Monetary Transmittal Forms** - Controls appear to be working.
- **Senior Class Planning and Budget Workbook Not Used for FY 2018** - Controls appear to be working.
- **Scholarship Funds Not Paid** - Controls appear to be working.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department**

School/Office: Croom HS

Response Date February 14, 2022

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01: 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 should ensure all pre-approval details are provided on SFEEFs prior to authorizing expenditures.</p> <p>B. The principal and recordkeeping staff must regularly review open invoice files to ensure that vendor payments are issued timely, within 30 days of receipt, or by the invoice due date.</p> <p>C. Internal controls must be established to ensure that all SFEEFs are adequately supported prior to the issuance of payments.</p>		<p>The Principal will review all SFEEFs to ensure all pre-approval details are provided prior to authorizing expenditures.</p> <p>The Principal and the Financial Record Keeper will review open invoices on a weekly basis to ensure that vendor payments are issued timely, within 30 days of receipt, or by the invoice due date.</p> <p>The Financial Record Keeper will attach the relevant itemized documentation (i.e., invoices) that supports the amount of the check to the SFEEF prior to its submission to the Principal.</p> <p>The Principal and Financial Record Keeper will provide job-embedded training to all staff on procedures for SAF expenditures. Staff will be required to submit a written</p>	February 2022	Implemented partially

Principal Signature _____

Date _____

				signature or electronic confirmation of training. Training will be conducted biannually - August and March of each school year. Record keeping training documents will be added to the staff handbook.		
2.	<u>2022.02</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	The following corrective actions should be implemented for funds received to be processed in accordance with BOE policies and procedures. A. The recordkeeping staff must ensure that all collection documentation is adequate by verifying that all appropriate support is attached to the MTF prior to acceptance and approval. B. The recordkeeping staff must ensure that all changes made on MTFs are initialed prior to acceptance and approval.		The Financial Record Keeper, for every MTF, will review all collection documentation to ensure it is adequate and that all of the appropriate support is attached to the MTF prior to acceptance and approval. The Financial Record Keeper will review every MTF to ensure that all changes on the MTF are initialized prior to acceptance and approval. The Principal and Financial Record Keeper will provide job-embedded training to all staff on procedures for completing and submitting MTFs. Staff will be required to submit a written signature or electronic confirmation of training. Training will be conducted biannually - August and March of each school year. MTF procedures will be added to the staff handbook.	February 2022	Implemented partially

Principal Signature _____

Date _____

3.	<u>2022.03 Record Retention</u>	The current principal must provide oversight that ensures the establishment of an adequate record management system.		<p>The Principal and Financial Record Keeper will collaborate with the Office of Internal Auditing to receive professional development focused on the BOE’s policies and procedures for record retention.</p> <p>The Principal and the Financial Record Keeper will meet bi-weekly on the 2nd and 4th Friday of each month to review records and record keeping.</p> <p>The Principal will conduct quarterly audits of the school’s record management system to ensure compliance with the BOE’s policies and procedures for record retention.</p>	February 2022	Implemented partially
4.	<u>2022.04: Administration of Voided Checks</u>	The current principal must implement the following corrective actions for the administration of checks to be in accordance with BOE policies and procedures. 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 and have “VOID” written across the face of the check. The signature line must be removed. The principal and recordkeeping staff must hold the recordkeeping staff accountable for compliance with the requirements for administering checks.		<p>The Principal and Financial Record Keeper will read the APM in its entirety.</p> <p>All voided checks will be entered in SFO and have “VOID” written across the face of the check. The signature line will be removed, and the voided checks will be attached to approved SFEFs or Void Check Proof Sheets.</p> <p>The Principal will conduct random quarterly audits of voided checks to ensure compliance with the BOE’s policies and procedures for record retention.</p>	February 2022	Implemented partially

Principal Signature _____

Date _____

				<p>The Principal and Financial Record Keeper will provide job-embedded training to all staff on procedures for administering checks. Staff will be required to submit a written signature or electronic confirmation of training.</p> <p>Training will be conducted biannually - August and March of each school year. The BOE's policies and procedures for the administering of checks will be added to the staff handbook.</p>		
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Principal Signature _____

Date _____