



November 29, 2021

MEMORANDUM

To: Carletta Marrow, Ed. D., Associate Superintendent
High Schools and Alternative Schools

Shirley Diggs, Coordinating Supervisor
Office of Interscholastic Athletics

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for July 1, 2016 through September 30, 2021

An audit of the financial records of the **Office of Interscholastic Athletics** (OIA) was completed for the period July 1, 2016 through September 30, 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 Coordinating Supervisor of OIA, you will be responsible for preparing an action plan by **January 7, 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, 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
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Robin Welsh, Director of Monitoring, Accountability and Compliance
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Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Kelvin Campbell, Internal Auditor II

Internal Audit Report

Office of Interscholastic Athletics

School Activity Funds

For the Period Ended September 30, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of the Office of Interscholastic Athletics (OIA) for the period July 1, 2016 through September 30, 2021. The OIA's Coordinating supervisor 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,*
- *Record Retention,*
- *Delinquent Monthly Bank Reconciliation Process,*
- *Non-Compliance with Authorized Signers Requirement,*
- *Payments Issued Directly to Individual for Services Rendered, and*
- *Inappropriate Use of Advance, Reimbursement and Refund Vendor Options*

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 September 30, 2021.



Michele Winston, CPA, Director
Internal Audit

Office of Interscholastic Athletics
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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for the Office of Interscholastic Athletics for the period July 1, 2016 through September 30, 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 **5** findings which occurred under the leadership of both the current and former coordinating supervisor. 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 cancelled checks, and all voided checks and MTF envelopes submitted by staff for the period July 1, 2016 through September 30, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Audit results were based on available documentation. There were a number of documents that were not on file for review. (*See **2021.02 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

Cash disbursements reviewed were not always processed in accordance with BOE policies and procedures. The following exceptions pertaining to management of disbursements were noted:

- A. *Inadequate Approval* – There were **9** instances where expenditures were not adequately approved. The coordinating supervisor approved purchases on the School Fund Expenditure Form (SFEF) after the purchases were made in 7 of these instances. There was no approval in the remaining 2 instances.

- B. *Delinquent Vendor Payments* – There were **3** instances where payments for the expenditures were not remitted to vendor in a timely manner. The range of delinquency was **15** and **56** days.

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 (coordinating supervisor).

- B. Invoices are required to be paid within 30 days of receipt or by the invoice due date. A review of invoices and statements for past due amounts is required to ensure that payments are made in a timely manner.

Neither the current nor the former coordinating supervisor established internal controls relative to management of disbursements. The current coordinating supervisor has not read the APM to understand her responsibilities relative to cash disbursements. The recordkeeping staff did not review open invoices and statements for past due amounts to ensure that payments were made in a timely manner.

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 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. Delinquent payment of invoices could result in the vendor placing the BOE's account with a collection agency where significant collection fees could be assessed.

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

- A. The coordinating supervisor should ensure that purchases are not made until after pre-approval is obtained. All pre-approval details must be included on SFEFs prior to approving expenditures.

- B. The coordinating supervisor 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.

2022.02: Record Retention

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

- 4 Fund Transfer Journal Entry Proof Sheets and
- 5 Year-end Monetary Transmittal Forms (Pink and Yellow) for FY 2020.

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.

The recordkeeping staff indicated that fund transfers were done at the end of the year by the Accounting and Financial Reporting Office (AFRO) and the related Fund Transfer Journal Entry Proof Sheets were not sent to OIA. The records indicate that a variety of people collect funds at various athletic events and not all prepared and returned MTFs to the office. The former coordinating supervisor did not provide the necessary oversight for this process. These actions resulted in noncompliance 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 coordinating supervisor and the recordkeeping staff must ensure the establishment of an adequate record management system. Instructions to staff must be provided that require the submission with MTFs when funds are remitted. Also, a request must be made to AFRO for Transfer Journal Entry Fund Proof Sheets to substantiate transfers posted by AFRO staff. The principal must provide oversight of this process.

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2022.03: Delinquent Monthly Bank Reconciliations Process

There were **6** instances where the coordinating supervisor failed to review and approve completed bank reconciliations and other reports timely. The range of delinquency was **18** to **99** days.

According to the APM, the principal (coordinating supervisor) is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the documents are required to be forwarded to the bookkeeper for preparation of the bank reconciliation. The bookkeeper is required to complete the bank reconciliation within 7 days of receiving the statement from the bank. Typically, this process is required to be completed by the 15th of the subsequent month. The completed reconciliation should be submitted every month for review and approval.

The coordinating supervisor did not implement adequate internal controls to ensure that monthly bank reconciliations were consistently reviewed by the 15th of each month as required. Failure to review and approve monthly bank reconciliations in a timely manner increases financial risk to the school.

Recommendation: The coordinating supervisor must establish internal controls to ensure that the review and approval of monthly bank reconciliations occur by the 15th of each month as required.

2022.04: Non-Compliance with Authorized Signers Requirement

The Business Account Bank Signature Card has not been updated. The authorized signatories on the school's bank account included the coordinating supervisor, the recordkeeping staff and the previous supervisor of Interscholastic Athletics. The current supervisor of Interscholastic Athletics is **not** on the school's bank 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 coordinating supervisor and recordkeeping staff should be primary signers on the account. The third signer should be an administrator (i.e., assistant-coordinating supervisor, teacher-in-charge or wing coordinator) who signs checks in the coordinating supervisor'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 staff. Although the current coordinating supervisor and recordkeeping staff is familiar with the policy, it simply did not get done.

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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 coordinating supervisor must take immediate action to add the current supervisor of interscholastic athletics and remove former supervisor of interscholastic athletics. The coordinating supervisor should contact Treasury Services for assistance.

2022.05: Payments Issued Directly to Individual for Services Rendered

There were at least **2** instances where payments were issued directly to individuals for services rendered. The recordkeeping staff issued check #7636 in the amount of **\$99.00** directly to a police officer for security services for a county basketball game in the first instance. This check was issued using the "*Refund Vendor*" option within School Funds Online. The recordkeeping staff issued check #7542 in the amount of **\$3,965.34** directly to an individual for service as a "*Cheerleading Judges*" in the second instance. This check was issued using the "*Reimbursement Vendor*" option within School Funds Online.

The APM Section 7.4.3 *Security and Other Services for Sporting Events* requires that the request for officers must be made in writing to the either the director or field operations supervisor of Security Services detailing the event date and time, type of activity and number of participants. The principal must complete the Compensatory Request Form after the event evidencing the number of hours worked by the officers. The officers must sign the form and turn it over to the Commander, who authorizes payment through the department's payroll. The Prince George's County Police Department bills each school monthly and the principal ensures that the bills are paid within 30 days of the invoice date.

The OIA was not aware of the policy for obtaining and paying police officers for extracurricular events. This could result in fines and penalties being assessed to PGCPS for non-compliance with State and Federal laws regarding payment of services rendered to individuals.

Recommendation: The OIA should establish procedures to ensure that all Security and Other Services for Sporting Events are paid as instructed in the APM. Staff should be made aware of the procedures to ensure that the OIA is compliant with PGCPS policies and procedures and State and Federal guidelines relative compensation for services.

2022.06: Inappropriate Use of Advance, Reimbursement and Refund Vendor Options

The following exceptions pertaining to use of the Advance, Reimbursement and Refund Vendor options were noted:

- The recordkeeping staff inappropriately processed **21** cash disbursement transactions totaling **\$15, 950.00** using the "*Reimbursement Vendor*" option instead of the "*Advance*"

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Vendor” option with School Funds Online (SFO). Twenty-one of these checks were issued for starting change fund for various athletic events.

- Additionally there were **3** cash disbursement transactions totaling **\$426.43** using the “Refund Vendor” option instead of the “Reimbursement Vendor” option.

Expenditures posted to SFO are primarily those paid to PGCPs approved vendors. The payee defaults to this listing of vendors when checks are written in SFO. The “*Reimbursement Vendor*” option was created to post reimbursable expenses payable to staff and the “*Refund Vendor*” option was created to post refundable expenses paid to parents. The “*Advance Vendor*” option was created to post reimbursement expenses for staff when the exact amount is not known.

BOE policies and procedures as established in SFO regarding the use of the Advance, Reimbursement or Refund vendor options were not followed. The recordkeeping staff reportedly was not properly trained on how to use the *Advance, Reimbursement and Refund Vendor* options.

Failure to follow instructions for processing payments places the school system in a position of non-compliance with BOE policies and procedures. Improperly posting transactions impacts the accuracy and reliability of financial records.

Recommendation: The coordinating supervisor must establish procedures to ensure that financial recordkeeping staff accurately post all future cash disbursements in SFO. Staff should be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Office of Interscholastic Athletics was issued for the period ended September 30, 2015. During the audit, the coordinating supervisor was not in this current position however, the recordkeeping staff was in this position. The previous audit report had **5** reportable conditions, of which **2** are repeated in the current audit. The following findings were noted because of the prior audit, and the status is indicated below:

- **Mismanagement of Disbursements** - Condition still exists. See Finding 2022.01, *Mismanagement of Disbursements*
- **Delinquent Deposits** - Controls appear to be working.
- **Record Retention** - Condition still exists. See Finding 2022.02, *Record Retention*
- **Inadequate Segregation of Duties** - Controls appear to be working.
- **Excessive Spending in Restricted Accounts** - Controls appear to be working.

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ACKNOWLEDGEMENT

We would like to thank the coordinating supervisor and staff of the Office of Interscholastic Athletics for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Office of Interscholastic Athletics
Response Date January 07, 2022**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2022.01:</u> <u>Mismanagement of Disbursements</u>	<p>The coordinating supervisor and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p>A. The coordinating supervisor should ensure that purchases are not made until after pre-approval is obtained. All pre-approval details must be included on SFEPs prior to approving expenditures.</p> <p>B. The coordinating supervisor and recordkeeping staff must regularly review open invoice files to ensure that vendor payments are issued timely,</p>	<p>Concur</p> <p>Concur</p>	<p>The Supervisor will ensure that pre-approval forms/check requests are filled-out and submitted before purchases are made.</p> <p>Vendor payments will be made in a timely manner. Also, vendor invoices will be checked to make sure they are dated after services are rendered and fall within the 30 day payment window.</p>	<p>Nov. 1, 2021</p> <p>Nov. 1, 2021</p>	<p>Implemented</p> <p>Implemented</p>

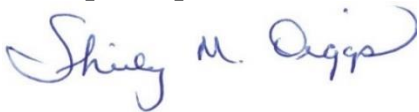
Principal/Department Head Signature



Date January 5, 2022

		within 30 days of receipt or by the invoice due date.				
2.	<u>2022.02: Record Retention</u>	The current coordinating supervisor and the recordkeeping staff must ensure the establishment of an adequate record management system. Instructions to staff must be provided that require the submission with MTFs when funds are remitted. Also, a request must be made to AFRO for Transfer Journal Entry Fund Proof Sheets to substantiate transfers posted by AFRO staff. The principal must provide oversight of this process.	Concur	The current Supervisor will be responsible for completing MTFs when funds are remitted. The MTF and funds will be submitted to the bookkeeper to submit funds for deposit.	Nov. 1, 2021	Implemented
3.	<u>2022.03: Delinquent Monthly Bank Reconciliations Process</u>	The coordinating supervisor must establish internal controls to ensure that the review and approval of monthly bank reconciliations occur by the 15 th of each month as required.	Concur	The Coordinating Supervisor will ensure that the monthly bank reconciliations are completed and signed by the 15 th of each month.	Nov. 1, 2021	Implemented
4.	<u>2022.04: Non-Compliance with Authorized Signers Requirement</u>	The coordinating supervisor must take immediate action to add the current supervisor of interscholastic athletics and remove former supervisor of interscholastic athletics. The	Concur	The current Supervisor has been added to the account and the former Supervisor has been removed.	Nov. 1, 2021	Implemented

Principal/Department Head Signature



Date January 5, 2022

		coordinating supervisor should contact Treasury Services for assistance.				
5.	<u>2022.05:</u> <u>Payments Issued Directly to Individual for Services Rendered</u>	The OIA should establish procedures to ensure that all Security and Other Services for Sporting Events are paid as instructed in the APM. Staff should be made aware of the procedures to ensure that the OIA is compliant with PGCPs policies and procedures and State and Federal guidelines relative compensation for services.	Concur	Payments will be made to vendors as they are listed in Oracle with no exceptions or changes. Any requests for changes will need to go through the Purchasing office.	Nov. 1, 2021	Implemented
6.	<u>2022.06:</u> <u>Inappropriate Use of Advance, Reimbursement and Refund Vendor Options</u>	The coordinating supervisor must establish procedures to ensure that financial recordkeeping staff accurately post all future cash disbursements in SFO. Staff should be held accountable for compliance.	Concur	We have reviewed the handbook on the use of reimbursement, advance, and refund for checks for repaying staff and for starter gate funds. Going forward the bookkeeper will use the appropriate term for the check payment.	Nov. 1, 2021	Implemented

Principal/Department Head Signature



Date January 5, 2022