

December 21, 2022

MEMORANDUM

To: Nicole Isley McClure, Instructional Director
Cluster 10

Tasha Graves Ph. D, Principal,
Parkdale High School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period October 1, 2019 through August 31, 2022

An audit of the financial records of **Parkdale High School** was completed for the period October 1, 2019 through August 31, 2022. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **January 23, 2023** 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, and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc:

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, Director, Financial Services
Joeday Newsom, Esq., Staff Director, Board of Education
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**Parkdale High School
School Activity Funds**

For the Period Ended August 31, 2022

Parkdale High School
School Activity Funds
Internal Audit Report
For the period ended August 31, 2022

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Parkdale High School for the period October 1, 2019 through August 31, 2022. Parkdale 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*
- *Mismanagement of Transfers*
- *Mismanagement of Fundraising and Grants Documentation*
- *Club Budgets Not Developed*

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 August 31, 2022.



Michele Winston, CPA
Director, Internal Audit

Parkdale High School
School Activity Funds
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For the period ended August 31, 2022

SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Parkdale High School for the period October 1, 2019 through August 31, 2022. 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 **5** findings which 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 APM and the 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 October 1, 2019 through August 31, 2022. 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01: Mismanagement of Funds Received

The following deficiencies were noted relative to management of funds received:

- A. ***Inadequate Supporting Documentation*** – There were 7 MTFs with inadequate supporting documentation including missing bank deposit slips, concession sales details, and copy of student receipts.
- B. ***Delinquent Deposits*** – Funds collected and documented on 5 MTFs were deposited between 4 to 12 days late.
- C. ***Incomplete Supporting Documentation*** – An MTF Log was discontinued in July 2020. The log provides a ready identification of staff members and their associated MTFs used during the course of the school year.

The APM includes the following criteria for processing funds received:

- A. *Section 4.5.2.1 Collecting Funds: Completing the Monetary Transmittal Form* - 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 validated copy (bank deposit slip) is filed at the school with the MTF that supports the deposit.
- B. *Section 4.5.2.2 Collecting Funds: Guidelines for Bank Deposits: require bookkeepers 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.*
- C. *Section 4.5.2.1 Collecting Funds: Completing the Monetary Transmittal Form states that a MTF log is required and maintained by the bookkeeper to include a numerical list of the MTF's, the name of individuals and dates the forms were issued, the date returned to the Bookkeeper, and the total amount of the MTF.*

The recordkeeping staff explained that incomplete documentation were in some cases misplaced and an oversight. The recordkeeping staff had no explanation for the discontinued MTF log. Delinquent deposits occurred when staff remitted funds late. These funds were kept for days before being given to the bookkeeper for deposit.

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Delinquent deposits of funds received constitute non-compliance with BOE policies and procedures and increases the risk of loss to the school. Inadequate records management impacts the retrieval and accessibility to requested documentation.

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

- A. The principal should provide a refresher training on financial procedures for staff.
- B. The principal should conduct frequent review of financial records to ensure timeliness, completeness and accuracy.

2023.02: Mismanagement of Disbursements

The following deficiencies were noted relative to management of funds disbursed:

- A. **Delinquent Payments** – There were **6** payments made ranging from 27 - 264 days delinquent.
- B. **Reimbursement for Purchase from an Unauthorized Vendor** - A staff purchased items from an unauthorized vendor that was reimbursed by the school.
- C. **Mismanagement of Cancelled Checks** – There were **7** cancelled checks that were not on file. There were also 2 checks that only included 1 signature.
- D. **Mismanagement of Voided Checks** – There were **27** instances where voided checks were not posted to SFO.

APM requires the following when processing disbursements:

- A. Payment of invoices are required to be made by the due date or within 30 days of receipt.
- B. At no time should reimbursement or refund, be used to pay unapproved vendors in *SFO*.
- C. All checks must have itemized documentation attached to the School Funds Expenditure Form (SFEF) that supports the amount of the check. The bank must return images of all cancelled checks to the school with the monthly bank statement. Also the principal and bookkeeper should be primary check signers on the school's bank account.
- D. All checks are required to be printed from SFO.

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The recordkeeping staff explained that delinquent payments occurred in FY 2021 and were due to a postal delay. Reportedly, the post office kept the school's mails during the COVID -19 lockdown and when the school got the mail, invoices sent by mail were already past due. There were times when cancelled checks were not returned by the bank and the missing cancelled checks were never requested. The lack of a 2nd signature on one of the checks was an oversight. Concerning the void checks not posted to SFO, the bookkeeper failed to consult with the Accounting and Financial Reporting Office for guidance on how to void checks in SFO. *The processing of staff reimbursement for purchases from an unapproved vendor was an oversight.*

Mismanagement of disbursements including inadequate management of disbursement records constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Untimely payment of vendor invoices may result in the school being assessed late fees.

Recommendations: The following steps should be taken to improve the management of disbursements:

- A. The principal and recordkeeping staff must review the APM, specifically, the section on *Cash Disbursements Procedures*.
- B. The principal should review the financial records at least monthly to ensure that the records are complete and accurate.
- C. The recordkeeping staff must carefully review supporting documentation for requests for reimbursement prior to initiating check processing.

2023.03: Mismanagement of Fund Transfers

The following deficiencies were noted relative to management of fund transfers:

- A. ***Restricted Transfer not Approved*** – There were **17** fund transfers from one restricted account to another restricted account that were not approved by the principal.
- B. **Incorrect Calculation of PSA Transfer Amount** - Funds transferred from FR Pictures to PSA transfer was calculated using 25% of fundraiser proceeds instead of 15% of fundraiser profits as required.

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The APM provides the following regarding the processing of fund transfers:

- A. Section 4.5.4.2, *Transfers between restricted and unrestricted/net accounts* - Transfers between restricted accounts are only authorized if reviewed and approved by the principal.
- B. Section 9.6, *Principal-Sponsored Activities (PSA) for Staff* - Expenditures for authorized Principal-sponsored activities are restricted to the funds available from Fifteen percent (15%) of school-wide fundraiser profits, including picture commissions.

The recordkeeping staff was unaware of the procedures for fund transfers. The recordkeeping staff stated the incorrect calculation was an honest mistake as there were other instances where similar calculations were done correctly.

Mismanagement of fund transfers constitutes non-compliance with BOE policies and procedures and increases financial risk to the school resulting from the misuse of restricted accounts funds.

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

- A. The principal and recordkeeping staff must review the APM, specifically the section on *Transfer* procedures.
- B. The principal must review the financial records at least monthly to ensure records are complete and accurate.
- C. The principal should review the **17** journal entries noted for appropriateness.

2023.04: Mismanagement of Fundraising and Grants Documentation

The following exceptions were noted relative to the administration of fundraising and grants documentation:

- A. There were **14** Class fundraisers conducted in FY 2020 that were not supported by accompanying Fundraiser Completion reports as required.
- B. The school received three grants (New Carrollton in FY 2020 - \$2,500; City of College Park in FY 2021 - \$2,400; Maryland Space Business Roundtable (Robotics) in FY 2021 -\$3,000) during the audit period. School administrators failed to inform Grants Financial Management Office of the grants received as required.

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The following guidelines are provided for administering fundraisers and grants:

- A. *APM 9.3 Accounting for Grants and Donations* - All grants and donations made directly to schools, irrespective of amount, should be reported to the Grants Financial Management Office (GFMO) on a School Grant Reporting Form.
- B. *Administrative Procedure 5135.1 Fundraising* - The standard in-house Fundraiser Authorization Form will be used to request authorization to proceed with a fundraising activity when the fundraising activity is handled by anyone other than the principal. The Fundraiser Completion Report, is to be completed by the fundraiser sponsor after completion of fundraiser.

The recordkeeping staff was on leave in June 2020 and was not available for end of year close out. When staff returned to school in FY 2021, the recordkeeping staff forgot to follow-up on the fundraising documents. According to the recordkeeping staff failure to report the grants and donations to the Grants Financial Management Office was an oversight.

Mismanagement of fundraising and grants activities constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff.

Recommendations: The following should be implemented to ensure proper management of financial activities:

- A. The principal and bookkeeper should hold staff accountable for completing and returning required reports for fundraising activities.
- B. The Fundraiser Completion reports should be collected promptly once the activity has ended as opposed to year end. The principal should establish a process that includes oversight for ensuring that grant funds are properly reported upon receipt.

2023.05 Club Budgets Not Developed

Budgets for clubs and organizations were not made available for review upon request. No club budget has been developed since 2019.

According to the APM Section 7.3, *Class and Club Accounts*, principals and teachers are required to work closely with students in planning finances (budgeting) for their clubs and organizations. School clubs shall have as much autonomy as possible in spending money as permitted by Board regulations. However, funds shall not be used without majority consent of the students involved. A copy of annual budgets must be provided to the School's bookkeeper.

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The recordkeeping staff explained that there has been various challenges since the beginning of the Covid-19 pandemic. Clubs have not been meeting regularly and activities are slowly resuming in 2022/23 school year.

The absence of the budgets makes it difficult to plan club activities efficiently and can result in excessive spending. *This is a repeat finding from the prior audit period ended September 30, 2019.*

Recommendation: The principal must ensure that all clubs budgets are prepared, submitted and approved in the current school year to ensure that expenditures are planned and executed as required. Sponsors must be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Parkdale High School was issued for the period ended September 30 2019. During that period, the principal and recordkeeping staff were in the current positions. A total of 11 findings were noted in that audit and **5** have been repeated in whole or part in this audit as indicated below.

- ***Mismanagement of Funds Received - Partially observed. See 2023.01***, regarding *Mismanagement of Funds Received: Delinquent Deposits*
- ***Mismanagement of Cash Disbursements - Partially observed. See 2023.02***, regarding *Mismanagement of Cash Disbursements*.
- ***Dormant Certificate of Deposit account*** – *Condition was not noted during this audit.*
- ***Bank balance exceeds deposit insurance limit*** - Not an exception due to the Bank's policy.
- ***Insolvent PSA Accounts*** - *Condition was not noted during this audit.*
- ***Unpaid bills spreadsheet not completed*** - *Condition was not noted during this audit.*
- ***Void checks not properly administered - Still observed. See 2023.02***, regarding *Mismanagement of Cash Disbursements: Mismanagement of Voided Checks*
- ***Fundraising forms not completed - Still observed. See 2023.04***, regarding *Mismanagement of Fundraising and Grants Documentation*
- ***Club Budget Not Developed - Still observed. See 2023.05*** regarding *Club Budgets Not Developed.*
- ***Failure to maintain current Vending Contracts*** - *Condition was not noted during this audit.*

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- *Unremitted Credit recovery funds - Condition was not noted during this audit.*

ACKNOWLEDGEMENT


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

Prince George's County Public Schools
Internal Audit Department
School/Office: Parkdale HS
Response Date January 23, 2023

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Mismanagement of Funds Received</u>	The following steps must be taken to improve the management of funds received: A. The principal should provide a refresher training on financial procedures for staff. B. The principal should conduct frequent review of financial records to ensure timeliness, completeness and accuracy.	Concur	Continue to conduct quarterly reviews of the school financial procedures with faculty and staff.	12/21/2022	Implemented
2.	<u>2023.02: Mismanagement of Disbursements</u>	The following steps should be taken to improve the management of disbursements:	Concur	Continue to conduct monthly meetings with the bookkeeper to review financial records and supporting documentation.	12/21/2022	Implemented

Principal Signature _____

Date 01/10/2023



		<p>A. The principal and recordkeeping staff must review the Accounting Procedure Manual, specifically the section on <i>Cash Disbursements Procedures</i>.</p> <p>B. The principal should review the financial records at least monthly to ensure that the records are complete and accurate.</p> <p>C. The recordkeeping staff must carefully review supporting documentation for requests for reimbursement prior to initiating check processing.</p>				
3.	<u>2023.03:</u> <u>Mismanagement</u> <u>of Fund Transfers</u>	<p>The following steps must be taken to improve the management of disbursements:</p> <p>A. The principal and recordkeeping staff must review the APM, specifically the section on <i>Transfer</i> procedures.</p> <p>B. The principal must review the financial records at least monthly</p>	Concur	Continue to conduct monthly meetings with the bookkeeper to review financial records and supporting documentation. If a transfer needs to be completed, I will initial after reviewing and approving.	12/21/2022	Implemented

Principal Signature

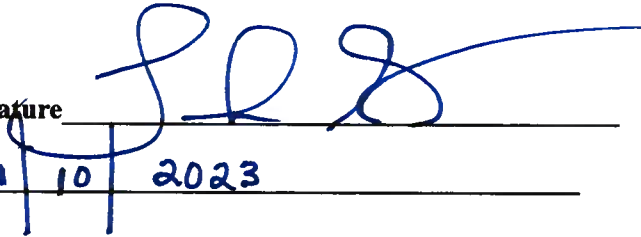


Date

01/10/2023

		<p>to ensure records are complete and accurate.</p> <p>C. The principal should review the 17 journal entries noted for appropriateness.</p>				
4.	<p><u>2023.04: Mismanagement of Fundraising and Grants Documentation</u></p>	<p>The following should be implemented to ensure proper management of financial activities:</p> <p>A. The principal and bookkeeper should hold staff accountable for completing and returning required reports for fundraising activities.</p> <p>B. The Fundraiser Completion reports should be collected promptly once the activity has ended as opposed to year end. The principal should establish a process that includes oversight for ensuring that grant funds are properly reported upon receipt.</p>	Concur	Continue to conduct monthly meetings with the bookkeeper to review financial records and supporting documentation. Ensure faculty and staff are returning all required fundraising reports by the conclusion of the activity.	12/21/2022	Implemented

Principal Signature



Date

01/10/2023

5.	<u>2023.05 Club Budgets Not Developed</u>	The principal must ensure that all clubs budgets are prepared, submitted and approved in the current school year to ensure that expenditures are planned and executed as required. Sponsors must be held accountable for compliance.	Concur	Effective immediately, by the 15th of each month, the bookkeeper will prepare and meet with all sponsors to review their account balance and have them sign as an acknowledgement of account balance.	12/21/2022	Implemented
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Principal Signature



Date

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