

Internal Audit Report
Frederick Douglass High School
School Activity Funds
For the Period Ended December 31, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Frederick Douglass High School for the period December 1, 2020, through December 31, 2023. 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 by 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**
- **Uncashed (Stale Dated) Checks**
- **Mismanagement of Funds Received**
- **Records Retention**
- **Disposition of Senior Class Accounts**

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

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 December 31, 2023.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Frederick Douglass High School for the period December 1, 2020, through December 31, 2023. 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 by the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **5** findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school complies with the policies and procedures of the APM and the BOE. While the audit focused on deficiencies, it is important to recognize that 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 December 1, 2020, through December 31, 2023. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Several documents were not on file for review. (*See 2024.04 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.

2024.01: Mismanagement of Disbursements

There were **35** instances where disbursements were not processed as required. The instances of noncompliance include:

- A. ***Inadequate Approval*** – There were **18** instances where the principal did not pre-approve the School Fund Expenditure Form (SFEF) prior to purchases being made.
- B. ***Delinquent Vendor Payments*** – There were **9** instances where vendor payments were not remitted promptly. The range of delinquency was between **33** and **294** days.
- C. ***Inadequate Supporting Documentation*** – There were **8** instances where expenditures did not contain adequate supporting documentation.

The APM provides the following guidelines regarding the administration of 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 should review invoices and statements for past due amounts and ensure that payments are made promptly.
- C. All checks are required to have itemized documentation attached to the SFEFs that supports the amount of the check.

Sufficient training was not provided to staff concerning the pre-approval process for school expenditures. Staff members ordered goods and services prior to obtaining approval from the principal. The principal and recordkeeping staff did not perform a consistent review of the open invoice file to ensure that vendor payments were processed promptly. Requests for payment were not always performed in a timely manner. A review of supporting documentation was not always completed before the processing of checks. In addition, the principal and the recordkeeping staff did not read the APM.

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Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Approving purchases without adequate documentation or 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.

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 before the purchase of products or services and are held accountable for compliance.
- B. The principal and recordkeeping staff must constantly 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 before processing payments.

2024:02 Uncashed (Stale Dated) Checks

There were **2** instances where checks issued t were not cashed by vendors within a reasonable time and were not written off as required. The noted checks were outstanding for **198** and **323** days.

The APM provides guidelines regarding Uncashed (Stale Dated) Checks. The bookkeeper is required to investigate the circumstances concerning the issuance of the check that has not been cashed within a reasonable time, at least six months (**180 days**) and attempt to determine from the payee why the check was not cashed. After this determination, the stale check is either reissued or 'written off.'

Internal controls relative to uncashed checks were not followed. The recordkeeping staff did not review the bank reconciliation carefully to identify stale dated checks and investigate why the checks were not cashed.

Uncashed checks can lead to financial loss, administrative burdens, and potential fraud risks for the school.

Recommendation: The recordkeeping staff must investigate long-term uncashed checks. Afterwards the stale checks must either be reissued or 'written off.' The principal must review the aging of outstanding checks during the monthly bank reconciliation review process to

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identify stale dated checks that are outstanding for more than 180 days and follow-up with recordkeeping staff.

2024:03 Mismanagement of Funds Received

There were **8** instances where funds received were *not* processed in accordance with BOE policies and procedures.

- A. ***Inadequate Supporting Documentation*** - There were **5** instances where collections were not properly supported or were incomplete.
- B. ***Delinquent Deposit*** – There were **3** instances where deposits were not made promptly. The range of delinquency was **7** to **12** days.

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

- A. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs.
- B. Deposits of all funds received are required at least every other day. However, no more than **\$250.00** should be kept in the building overnight.

The principal did not read the APM to become familiar with and enforce internal controls regarding the processing of funds received. The recordkeeping staff did not perform verification of supporting documentation before accepting and approving MTFs and making deposits. School staff were not held accountable for remitting funds to the recordkeeping staff on the day of collection.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected were subsequently remitted, deposited, and appropriately classified was not always available. Delinquent deposits of funds impact the accuracy of financial reporting upon which administrators rely to make financial decisions.

Recommendation: The following corrective actions should be implemented to help ensure proper management of funds received.

- A. The recordkeeping staff must verify that all appropriate support is attached to the MTF prior to accepting and approving MTF remittances.
- B. The recordkeeping staff must deposit all funds collected daily, especially funds more than **\$250.00**. Teachers must be informed that funds collected cannot be held overnight. The principal should hold all staff accountable for compliance.

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2024.04 Record Retention

Supporting documentation to substantiate financial transactions was not available for review in the following **80** instances:

- **2** Cash Disbursements (SFEFs and supporting documentation)
- **35** Fund Transfers Journal Entry Proof Sheets
- **43** End of Year Monetary Transmittal Form Remittances

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, Monetary Transmittal Forms, School Funds Expenditure Forms, canceled checks, and contracts.

The recordkeeping staff did not maintain an adequate filing system. The principal did not provide the necessary oversight for this process. The assistant principal with responsibility for administering end of year MTFs retired prior to the audit. The current administrators could not locate the MTFs for review.

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 principal and recordkeeping staff must ensure that an adequate filing system is established to secure the school's financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit. The recordkeeping staff must be held accountable for compliance. The principal should implement an adequate process for collecting, maintaining, and retrieving end of year MTF envelopes in the event there is turnover in the position with responsibility for administering collection of MTF envelopes.

2024.05 Disposition of Senior Class Accounts

The following Senior Class accounts had balances which aggregated to approximately **\$9,035.47** as of December 31, 2023.

<u>Accounts</u>	<u>Amount</u>
303.10 Class of 2023-Dues	\$4,732.90
303.13 Class of 2023-Donation	\$757.15
303.22 Class of 2022	\$724.16
303.23 Class of 2022-Dues	\$739.13
303.25 Class of 2022-Fundraiser	\$395.00
304.03 Class of 2021-Dues	\$0.10

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304.05 Class of 2021-Fundraiser	\$608.96
304.21 Class of 2020-Dues	\$17.26
304.22 Class of 2020-Fundraiser	\$20.00
304.23 Class of 2020-Prom	\$900.00
304.81 Class of 2018-Dues	\$140.00
304.91 Class of 2019-Dues	\$0.81
\$9,035.47	

According to AP 3450, *Class and Club Fund Terminations*, no class account can extend beyond the academic life of a senior class. As a senior class nears the end of the school year, it must plan, with the approval of the principal, for the final disposition of any residual class funds. It is therefore important that there is proper budgeting, accounting, and control of class account resources.

The senior class sponsor and the principal did not ensure that a plan was in place for the final disposition of any residual class funds. This noncompliance can result in restricted funds remaining in the SAF that are not available to students.

Recommendation: The principal should provide a plan for disposition to the Office of Accounting and Financial Reporting for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Frederick Douglass High School was issued for the period ended November 30, 2020. During that period, the principal was not in the current position; however, the recordkeeping staff was in the current role. The previous audit report included **8** reportable conditions, of which **3** 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 2024.01, *Mismanagement of Disbursements*.**
- **Administration of Checks-** Controls appear to be working.
- **Mismanagement of Funds Received-** Condition still exists. **See Finding 2024.03, *Mismanagement of Funds Received*.**
- **Excessive Spending in Restricted Accounts-** Controls appear to be working.
- **Record Retention-** Condition still exists. **See Finding 2024.04, *Record Retention***
- **Contracts and Licensing Agreements-** Controls appear to be working.
- **Financial Reporting-** Controls appear to be working.

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- **Inappropriate Use of Advance, Reimbursement, and Refund Vendor Options-**
Controls appear to be working.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School Office- Frederick Douglass High
School Response Due Date May 17, 2024**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Correctiv e Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2024.01</u> <u>Mismanagement</u> <u>of</u> <u>Disbursements</u>	<p>A. The principal must ensure staff members are aware that pre-approval is required before the purchase of products or services and are held accountable for compliance.</p> <p>B. The principal and recordkeeping staff must constantly 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 SFEFs are adequately supported before processing payments.</p>	<p>Concur</p> <p>Concur</p> <p>Concur</p>	<p>A. The principal will provide professional development to the staff on 9/3/2024 during the staff meeting. Staff will continue to be held accountable when the proper purchasing process is not followed.</p> <p>B. Financial secretary will directly contact staff members when an invoice arrives instead of placing the document in mailboxes.</p> <p>C. Principal and financial secretary will ensure that a invoice and other supporting documentation is attached to each SF_EF. If these documents are not attached, the request will not be signed.</p>	<p>9/3/2024</p> <p>On-going</p> <p>On-going</p>	<p>Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p>
2.	<u>2024.02</u> <u>Uncashed (Stale</u> <u>Dated)</u>	<p>The recordkeeping staff must investigate long-term uncashed checks. Afterwards the stale checks must either</p>	Partially concur	<p>This infraction was due to one check however, the principal and the bookkeeper will monitor the report more closely for stale checks.</p>	On-going	Partially Implemented

Principal Signature- Dr, Nichols
Date- 9/18/2024

	Checks	be reissued or 'written off.' The principal must review the aging of outstanding checks during the monthly bank reconciliation review process to identify stale dated checks that are outstanding for more than 180 days and follow-up with recordkeeping staff.				
3 .	<u>2024.03</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	<p>A. The recordkeeping staff must verify that all appropriate support is attached to the MTF prior to accepting and approving MTF remittances.</p> <p>B. The recordkeeping staff must deposit all funds collected daily, especially funds more than \$250.00. Teachers must be informed that funds collected cannot be held overnight. The principal should hold all staff accountable for compliance.</p>	Concur	<p>A. The financial secretary will request a letter from all donors who provide donations to the school (i.e. church, etc.)</p> <p>B. Principal will review the responsibility of dropping funds every night in the safe at the 9/3/2024 meeting. The principal will hold all accountable who are not following this responsibility.</p>	On-going 9/3/2024	<p>Partially Implemented</p> <p>Implemented</p>
4 .	2024.04 Record Retention	The principal and recordkeeping staff must ensure that an adequate filing system is established to secure the school's financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit. The recordkeeping staff must be held accountable for compliance. The principal should implement an adequate process for collecting, maintaining, and retrieving end of year MTF envelopes in the event there is turnover in the position with responsibility for	<p>Concur</p> <p>Concur</p>	<p>A. The bookkeeper's records will be reviewed monthly to monitor the organization of each document.</p> <p>B. MTFs are collected at the end of the school year by the overseeing administrator. Those MTFs are stored in the vault for five years.</p>	On-going By 6/23/2025	<p>Partially Implemented</p> <p>Not Implemented</p>

Principal Signat...., Daisy Nichols

Date

9/20/2024

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5.	2024.05 Disposition of Senior Class Accounts	<p>administering collection of MTF envelopes.</p> <p>The principal should provide a plan for disposition to the Office of Accounting and Financial Reporting for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit.</p>	Concur	<p>A. Class sponsors will be reminded of the balances in the senior class account after all of the bills have been paid.</p> <p>B. Before the last day of school for seniors, the sponsors in conjunction with the class leaders will be required to make plans for the remaining balance.</p>	By 5/16/2025	Not Implemented
					By 5/16/2025	Not Implemented

Principal Signature Daisy Nichols

Date 9/23/2024

