

**Internal Audit Report**

**Northwestern High School  
School Activity Funds**

**For the Period Ended May 31, 2023**

Northwestern High School  
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Internal Audit Report  
For the period ended May 31, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Northwestern High School for the period November 1, 2020 through May 31, 2023. Northwestern 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:

- *Records Retention*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Voided Checks Not Properly Administered*
- *Fund Transfers Not Properly Administered*

Individually or in 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, there is significant non-compliance with BOE policies and procedures and the APM, for Northwestern High School SAF, for the period ended May 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 **Northwestern High School** for the period November 1, 2020 through May 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 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. The audit results determined that there was significant non-compliance with the APM during the period of audit. Most significantly, financial records were disorganized and not made available for review (See ***2024.01 Records Retention***).

## **OBJECTIVES**

The objectives of the audit were to determine the effectiveness of the system of internal controls and to determine whether the school was following 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 selected bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period November 1, 2020 through May 31, 2023. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period. The audit was limited to the documentation provided and there were noted deficiencies with record retention (*See Finding 2024.01, Records 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: Records Retention**

- A. ***Missing Cash Receipts Support*** – Documentation to substantiate funds received was not available for review in **13** instances.
- B. ***Missing End of Year Monetary Transmittal Forms Envelope*** – A teacher's envelope containing **35** MTF remittances (45% of all MTF remittances) for FY 2022 was not located for review.
- C. ***Missing Cash Disbursement Documents*** – There were **21** instances where SFEFs and other documentation to support cash disbursements could not be located for review.
- D. ***Missing Cancelled Checks*** – Cancelled checks were not available for review in **55** instances.
- E. ***Missing Void checks*** – Voided checks could not be located for review in **42** instances.

The APM provides the following guidelines for mismanagement of financial documentation:

- A. Section 6.12 Record Retention requires all SAF records to 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, cancelled checks and contracts.
- B. Section 4.5.2.2 *Collecting Funds: Completing the Monetary Transmittal Form (MTF)* - Prior to departing at year-end, faculty and program managers are required 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 following explanations were provided for the deficiencies noted:

- A. Failure to locate financial documentation occurred as a result of poor records management at the school. Reportedly, the recordkeeping staff's absence for a significant part of the audit period resulted in financial records not being properly filed or maintained. The missing voided checks may have been inadvertently shredded.

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- B. The responsibility for collecting End of Year MTF envelopes was assigned to an assistant principal who is no longer with the school. As such, an explanation for the missing MTF envelope was not obtained.

Missing financial documentation constitutes noncompliance with BOE policies and procedures and can adversely impact the school. Specifically,

- A. Missing documentation negates the audit trail necessary to determine the school's compliance with policies and procedures.
- B. Missing End of Year MTF remittances impact the quality of compensating evidence to provide support for collections in the absence of primary supporting documentation.

**Recommendations:** The following steps should be taken to improve the management of financial documents:

- 1. A standard process must be implemented to ensure that End of Year MTF envelopes are properly secured, especially when there is transition of designated administrators.
- 2. A reliable records management system must be implemented that ensures the maintenance of all financial records. Specifically, the records management system must ensure that files are retrievable and secured in an organized manner.

**2024.02: Mismanagement of Funds Received**

The following exceptions were noted relative to funds received during the audit:

- A. ***Delinquent Deposits*** – Funds collected and remitted were delinquently deposited in **12** instances. The delinquency ranged from 4 to 47 days. There were also **3** instances where funds in excess of \$250.00 were not deposited on the day of collection as required.
- B. ***Inadequate Supporting Documentation*** – There were **5** instances where documentation provided as support for collection was not adequate.

The APM provides the following guidelines for administering funds received:

- A. Section 4.5.2.2 *Guidelines for Bank Deposits* requires bookkeepers to make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.
- B. Section 4.5.2.2 *Procedures* requires that when collecting funds, the source and amount of funds, as well as the purpose that the funds are to be used for, should be documented.

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The following explanations were provided for the deficiencies noted:

- A. The recordkeeping staff explained that some deposits were delinquent due to extended absences and the Covid 19 closures.
- B. Reportedly, the recordkeeping staff's absence also contributed to the financial records not being adequately supported. Funds were also sometimes dropped in the safe after 3pm without adequate documentation.

Improper management of funds received constitutes noncompliance with BOE policies and procedures and can adversely impact the school. Specifically:

- A. Delinquent deposits of funds received impacts timeliness of processing of financial transactions and increases the risk of loss to the school.
- B. Inadequate documentation negates the audit trail necessary to determine the school's compliance with policies and procedures.

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

- 1. The principal should implement internal controls to ensure consistent and proper administration of funds received.
- 2. The principal should conduct periodic reviews of financial records to ensure proper organization and accuracy of deposit documentation.

**2024.03: Mismanagement of Disbursements**

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Delinquent Payments*** – There were **6** instances where vendor payments were processed between 4-18 days delinquent.
- B. ***Inadequate Supporting Documentation*** – There were **24** instances where payments were made that were not supported by receipts or invoices.
- C. ***Inadequate Approval*** – There were **4** instances where purchases were made without evidence of the principal's advance approval.

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The APM provides the following guidelines for administering disbursements:

- A. *Delinquency* – The APM requires the payment of invoices by the due date or within 30 days of receipt.
- B. *Inclusion of Supporting Documents* - All checks must have itemized documentation attached to the School Funds Expenditure Form that supports the amount of the check.
- C. *Pre-Approval by the Principal* - Prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form.
- D. *Advances* – When payments are treated as advances to staff, the staff must sign a statement acknowledging receipt of the advance. A stipulation should also require return of itemized receipts for the amount advanced.

The following explanations were provided for the mismanagement of disbursements:

- A. *Delinquent Payments*: The recordkeeping staff explained that in some instances there were disputes regarding the service/goods and the amount due to the vendors which resulted in delays in payments.
- B. *Inadequate Support*: The ineffective records management system at the school caused certain disbursement documentation to be unavailable for review.
- C. *Post-dated Approval* – Reportedly, staff members received verbal approval of expenditures prior to making purchases. In those instances, the SFEF was not completed as required.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Delinquent payments to vendors impacts the school/vendor relationship and can result in charges to the school for late fees. When expenditures are not approved as required, the school is exposed to the risk of inappropriate expenditures and the possibility of fraudulent purchases. Also, failure to retain pertinent disbursement documentation negates the audit trail required for determining the school's compliance with policies and procedures.

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

- 1. Internal Control procedures must be established to ensure timeliness of payments. Staff members must be required to review invoices in a timely manner and resolve any



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disputes to facilitate timely payments. Provision must be made to ensure that payments for fieldtrips are processed timely.

2. The principal should ensure staff's knowledge is refreshed in financial procedures through training sessions during the course of the school year to ensure compliance with disbursement requirements. Specifically, the pre-approval of purchases in accordance with the requirement of the APM should be emphasized.
3. The principal and recordkeeping staff should implement a records management system where all financial records are filed in an organized manner and are retrievable when requested by authorized personnel.

**2024.04: Administration of Voided Checks**

There were **28** instances where checks were not properly voided in the accounting system, SFO. The noted checks were not reflected on the void check report.

The APM Section 3.2.2 *Recordkeeping staff/Financial Secretaries* requires the bookkeeper or financial secretary to accurately record and report the school's financial transactions.

Reportedly, the recordkeeping staff was instructed to process the voided checks incorrectly because the void check element in SFO was not working properly.

Inaccurate recording of voided checks impacts the accuracy of the school's financial reports that administrators rely on to make fiscal decisions at the school.

**Recommendation:** The principal should periodically review the financial transactions, specifically the void check report, to ensure completeness and accuracy.

**2024.05: Fund Transfers Not Properly Administered**

The following exceptions pertaining to the Fund Transfers reviewed were identified:

- A. ***Un-located Transfers Documentation*** – Documentation to substantiate fund transfers was not available for review in **30** instances.
- B. ***Unavailable Fund Transfer Approvals*** – Evidence that the principal approved restricted fund transfers was not available in **2** instances.

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The APM *Section 6.12 Record retention* all SAF records must be retained for a period of seven (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, cancelled checks and contracts.

*The APM Section 3.2.2 Recordkeeping staffs/Financial Secretaries* – states the Recordkeeping staff or financial secretary is responsible for accurately recording and reporting the school's financial transactions.

The recordkeeping staff was not aware that the principal's approval was needed for transfers between restricted fund accounts, specifically for gate receipts transferred to game workers. The missing transfers were because of misfiling and misplacement of financial records.

Missing documentation hinders effective review of financial transactions. It also removes evidence that the journal entries posted to the accounting system were authorized. Missing documentation and a lack of approval of journal entries weakens the internal controls surrounding the financial reporting process. Errors may not be identified and corrected in a timely manner.

**Recommendations:** The following steps are suggested to improve the management of fund transfers:

1. The principal should ensure the recordkeeping staff receives training needed to efficiently perform the financial reporting tasks.
2. An adequate records management system must be implemented that ensures the maintenance of all financial records in an organized manner.
3. The principal should review the financial transactions periodically to ensure completeness and accuracy.

### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Northwestern High School was issued for the period ended October 31, 2020. The recordkeeping staff was in the current position during that audit. However, the principal was not in the current position during that audit. The previous audit included **5** audit findings and **4** were repeated in the current audit report. The following findings were noted as a result of that audit and the current status is indicated below:

- **Mismanagement of Funds Received** – Still observed. See **Finding 2024.02** regarding *Mismanagement of Funds Received*.

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- **Mismanagement of Disbursements** – Still observed. See **Finding 2024.03** regarding *Mismanagement of Disbursements*.
- **Vending Machine Operation** – This finding was not noted during the current audit.
- **Documentation of Approval of Fund Transfers** – Still observed. See **Finding 2024.05** regarding *Administration of Fund Transfers*.
- **Document Retention** - *Still observed*. See **Finding 2024.01** regarding *Record Retention*.

**ACKNOWLEDGEMENT**

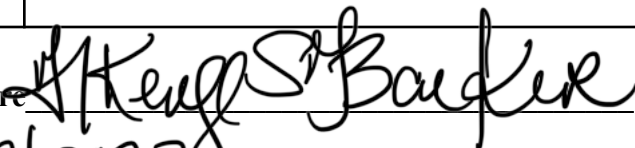
We would like to thank the principal and staff of Northwestern High School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office Northwestern HS**  
**Response Due Date December 11, 2023**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<b><u>2024.01:</u></b> <b><u>Records</u></b> <b><u>Retention</u></b>	<p>The following steps should be taken to improve the management of financial documents:</p> <p>1. A standard process must be implemented to ensure that End of Year MTF envelopes are properly secured, especially when there is transition of designated administrators.</p> <p>2. A reliable records management system must be implemented that ensures the maintenance of all financial records. Specifically, the records management system must ensure that files are retrievable and secured in an organized manner.</p>		<p>All requests for submissions, approvals and processing must be sent via email listed below.</p> <p>Payroll (All).  Check Requests with quotes or invoices attached in the email.  Funds Transfers  Fundraiser Request,  Authorizations and Completion Reports.  Purchase Order Request with attached quote from vendor.  No request will be accepted or processed without an email.  This will establish the trail needed in the event a document is unable to be located then we will be able to reference back to the email. (This is in addition to the hard copies submitted)</p>	11/13/2023	Fully Implemented

Principal Signature


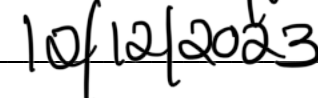
Date

  
12/12/2023

				<p>*End of Year:designated admin will collect and store.</p> <p>Bookkeeper keeps binders and makes copies for the principal to also house as well as make electronic copies.</p>		
2.	<p><b><u>2024.02</u></b></p> <p><b><u>Mismanagement of Funds Received</u></b></p>	<p>The following steps should be taken to improve the management of funds received:</p> <ol style="list-style-type: none"> <li>1. The principal should implement internal controls to ensure consistent and proper administration of funds received.</li> <li>2. The principal should conduct periodic reviews of financial records to ensure proper organization and accuracy of deposit documentation.</li> </ol>		<ol style="list-style-type: none"> <li>1. Use of MTF with the money received. Once verified, the bookkeeper will sign off on it.</li> <li>2. Sending reminders to turn in MTF and money within the time frame.</li> <li>3. Persons who do not adhere to the protocol to turn in MTFs within the timeframe will be reminded and no longer allowed to collect money.</li> <li>4. Complete the fundraiser request form and completion report.</li> <li>5. Will make monthly copies of all the fundraisers and email them to bookkeeper and designated admin to ensure to document</li> </ol>	11/13/2023	Fully implemented


Principal Signature

Date

3.	<u>2024.03</u> <u>Mismanagement of</u> <u>Disbursements</u>	<p>A. The following steps should be taken to improve the management of disbursements:</p> <p>1. Internal Control procedures must be established to ensure timeliness of payments. Staff members must be required to review invoices in a timely manner and resolve any disputes to facilitate timely payments. Provision must be made to ensure that payments for field trips are processed timely.</p> <p>2. The principal should ensure staff's knowledge is refreshed in financial procedures through training sessions during the course of the school year to ensure compliance with disbursement requirements. Specifically, the pre-approval of purchases in accordance with the requirement of the APM should be emphasized.</p> <p>3. The principal and recordkeeping staff should implement a records management system where all financial records are filed in an organized manner and are retrievable when requested by authorized personnel.</p>		<ol style="list-style-type: none"> <li>1. Monthly reminders during staff meetings with reminders of financial protocols.</li> <li>2. All staff need to submit a pre-approval form prior to purchases to ensure it is approved to purchase on the date of approval.</li> <li>3. The principal and the bookkeeper will keep hard copies and electronic copies to ensure adequate record keeping. Check-ins are daily with monthly meetings to review protocols.</li> </ol>	11/13/2023	Fully Implemented
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Principal Signature



Date

12/12/2023

4.	<b><u>2024.04:</u></b> <b><u>Administra</u></b> <b><u>tion of</u></b> <b><u>Voided</u></b> <b><u>Checks</u></b>	The principal should periodically review the financial transactions, specifically the void check report, to ensure completeness and accuracy.		1. Principal will review financial transactions with the bookkeeper	11/13/2023	Fully Implemented
5.	<b><u>2024.05:</u></b> <b><u>Fund</u></b> <b><u>Transfers</u></b> <b><u>Not</u></b> <b><u>Properly</u></b> <b><u>Administer</u></b> <b><u>ed</u></b>	<p>The following steps are suggested to improve the management of fund transfers:</p> <ol style="list-style-type: none"> <li>1. The principal should ensure the recordkeeping staff receives training needed to efficiently perform the financial reporting tasks.</li> <li>2. An adequate records management system must be implemented that ensures the maintenance of all financial records in an organized manner.</li> <li>3. The principal should review the financial transactions periodically to ensure completeness and accuracy.</li> </ol>		<ol style="list-style-type: none"> <li>1. Attending monthly trainings given by the district</li> <li>2. Bookkeeper keeps binders and makes copies for the principal to also house as well as make electronic copies.</li> </ol>		Fully implemented

Principal Signature

Date

