

Internal Audit Report

Bradbury Heights Elementary School
School Activity Funds

For the Period Ended April 30, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Bradbury Heights Elementary School for the period February 1, 2018 through April 30, 2023. Bradbury Heights Elementary 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
- Administration of Monthly Bank Reconciliations
- Principal Sponsored Account Fund Account Deficit

Individually or in the aggregate, these findings resulted in 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 SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended April 30, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Bradbury Heights Elementary Schools for the period February 1, 2018 to April 30, 2023. The audit was conducted pursuant to the FY 2023 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.

The audit report includes 3 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. In addition, 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 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 selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period February 1, 2018 – April 30, 2023. 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

During the audit period the following exceptions pertaining to the management of collections were noted:

- ***Delinquent Deposits*** – There were **2** instances where the recordkeeping staff delinquently deposited funds collected. The delinquencies were 48 and 50 days.
- ***Monetary Transmittal Form Approval*** – There was **1** instance where funds that totaled \$2,287.00 were documented on MTF #338494 and remitted to the recordkeeping staff for processing. However, the recordkeeping staff's signature to ascertain that the funds received were verified was not affixed to the MTF as required.
- ***Safe*** – The recordkeeping staff did not have access to the school's drop safe during fieldwork.
- ***End of the Year MTF Envelopes*** – The MTF envelopes for FY 2021 and FY 2022 could not be located for review upon request.

The APM states the following regarding the aforementioned conditions:

- Section 4.5.2 *Cash Receipts, #2. Guidelines for Bank Deposits*, "Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.
- Section 4.5.2 .2 *Procedures, #1 Collecting Funds: Completing the Monetary Transmittal Form*, requires the recordkeeping staff to acknowledge receipt and verification of funds by signing and dating the MTF.
- Funds kept on-hand at the school awaiting deposit, are required to be kept in a secure location. A secure location is a locked fireproof safe, where only the principal and bookkeeper can access the contents.
- 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 bookkeeper is required to print the SFO RECEIPTEE HISTORY REPORT and submit it to a designated

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administrator. This alerts the administrator which MTF envelope packages to expect.

Reportedly, the 2 instances where funds were deposited delinquent and the MTF was not approved by the recordkeeping staff occurred due to the recordkeeping staff's oversight. Also, the recordkeeping staff had not been granted access to the school's safe since assuming the position. The school did not have any procedures established for collecting MTF envelopes.

Failure to follow the guidelines for administering funds received has resulted in funds being deposited delinquent and has impacted the quality of financial reports upon which the school's administrator has relied to make important decisions. Evidence to substantiate that funds collected were verified in the absence of the recordkeeping staff. Inaccessibility to the school safe also impacts timeliness of deposits. The unavailability of MTF envelopes removes the compensating evidence required to determine that all funds collected were remitted and deposited.

Recommendation: The following steps must be implemented to ensure that funds received are properly administered. The recordkeeping staff must follow the guidelines for ensuring that funds remitted by the school staff are deposited with the bank in a timely manner and that each MTF and funds remitted is verified as evidence by a documented signature. The recordkeeping staff must be held accountable for compliance.

The principal should immediately provide the recordkeeping staff with access to the school's drop safe. Lastly, the principal should create internal controls to ensure all end of the year sealed MTF envelopes are collected and stored properly so they will be available when requested for audit.

2023.02: Administration of Monthly Bank Reconciliations

There were 6 instances where monthly bank reconciliations were not reviewed timely. The days reviewed late ranged from 4 to 60 days.

The APM Section 5.1.2 Procedures: *Monthly Reconciliations and Financial Reporting* required reconciliations to be completed by the recordkeeping staff within 7 days of receiving the statement from the bank. Typically this process should be completed by the 15th of each month. The completed reconciliation should be forwarded to the principal for review and approval.

The principal staff did not follow guidelines of the APM for reviewing monthly reconciliations. Reportedly, the delay in approval of monthly bank reconciliations was an oversight because there were no internal controls in place to ensure that reports were sent to the principal after completion.

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Failure to complete monthly bank reconciliations results in unidentified discrepancies that may occur from month to month.

Recommendation: The principal must implement internal controls to ensure the monthly reconciliations are reviewed in a timely manner. As outlined in the APM, the bank reconciliation process must be completed by the 15th of the subsequent month.

2023.03: Principal Sponsored Activities (PSA) Fund Account Deficit

The PSA fund account had a deficit of **(\$3,806.06)** as of 4/30/23. The previous deficit as of the audit period ended January 31, 2018 was **(\$2,907.79)**.

The APM Section 9.6 *Principal Sponsored Activities for Staff*, indicates that expenditures for authorized principal-sponsored activities are restricted to the funds available from specified sources. Specifically, one hundred percent (100%) of vending commission from machines located in the staff lounge; 2. Twenty-five percent (25%) of vending commissions, excluding sponsorships and signing bonuses, from student-accessed machines up to the first \$50,000 and then 10% of any amount exceeding \$50,000.; 3. Fifteen percent (15%) of school-wide fundraiser profits, including picture commissions; 4. Up to twenty-five (25%) percent of senior class residual funds when there is specific instruction from donors.

The PSA deficit occurred due to overspending for staff activities without regard for the availability of funds. The school incorrectly posted expenditures to the administrative allotment account instead of PSA for staff related activities. Reclassification of expenditures contributed to the increase in deficit.

Recommendation: The principal should work towards the elimination of this deficit. This can be accomplished by cessation of spending from the PSA fund accounts and transferring only authorized funds according to the APM. Due care must be exercised by the recordkeeping staff to ensure that expenditures are properly classified.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Bradbury Heights Elementary School was issued for the period ended January 31, 2018. During that period, the recordkeeping staff and principal held their current positions. The previous audit report had **6** reportable conditions, of which **2** are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Misclassified Transactions** – Controls appear to be working.
- **Principal Sponsored Account (PSA) Deficits** – See Finding 2023.01 regarding *Principal sponsored Activities Fund Account Deficit*.

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- **Financial Reporting** – See Finding 2023.02 regarding *Administration of Monthly Bank Reconciliations*.
- **Delinquent Payment of Invoices** – Controls appear to be working.
- **Sales Taxes Not Paid on Items Sold and Reimbursed for Staff Members** – Controls appear to be working.
- **Administration of Voided Checks** – Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Bradbury Heights Elementary School for their cooperation and assistance extended during the audit.

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

School/Office: Bradbury Heights ES

Response Date August 24, 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 implemented to ensure that funds received are properly administered. The recordkeeping staff must follow the guidelines for ensuring that funds remitted by the school staff are deposited with the bank in a timely manner and that each MTF and funds remitted is verified as evidence by a documented signature. The recordkeeping staff must be held accountable for compliance.	Concur	<p>The assistant principal (Yvette Faison) and I met with Ms. Andrea Batson, record keeper in June 2023 to review the findings of the audit. Additionally, I conducted my own unofficial audit of all Suntrust/Truist Bank deposits from 2018-2023 and identified several areas of concern that were shared with the bookkeeper during our meeting. BHES SAF/MTF Bank Deposit Historical Data</p> <p>Moving forward, to ensure all funds are properly administered and to hold the record keeper accountable for compliance, on a monthly basis, I will meet with the bookkeeper to review and document all MTFs collected and deposits made on the internal spreadsheet. These meeting dates will be placed on our respective</p>	June 2023	Implemented

Principal Signature_____

Date_____

		<p>The principal should immediately provide the recordkeeping staff with access to the school's drop safe. Lastly, the principal should create internal controls to ensure all end of the year sealed MTF envelopes are collected and stored properly so they will be available when requested for audit.</p>	<p>Partially concur</p>	<p>Google calendars.</p> <p>Mrs. Batson has ALWAYS had access to the Bradbury Heights drop safe since the drop safe was installed. Both Ms. Faison and I maintain physical possession of the keys to the drop safe. The bookkeeper, since the drop safe was installed at our school in 2018, simply requests the key from either the principal or assistant principal when there are deposits that need to be made. This process worked well until September 2022. Between September 2022 and May 2023, there were noticeable delays between when funds were collected/placed into the drop safe, and when they were deposited into our bank account. This matter has also been addressed with the bookkeeper formally via the PGCPs progressive discipline process.</p> <p>To further address this matter, a Bradbury Heights Drop Safe Log has been created and is required to be completed by any staff member who puts money into the drop safe. This document also requires an administrator to add their initials, indicating that they are aware that cash/money orders have been placed in the drop safe.</p>	<p>June and July 2023</p>	<p>Implemented</p>
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Principal Signature _____

Date _____

				<p>This will allow me to monitor the amount of time between the funds being placed in the drop safe and the date the funds are deposited into our bank account.</p> <p>The principal and assistant principal will continue to maintain physical possession of the keys to the drop safe. The bookkeeper has been properly reminded that when she needs to access the drop safe, she should simply request the key from either me or the assistant principal as she has done for years.</p> <p>Additionally, during the monthly meetings with the bookkeeper, assistant principal and me, we will review all money collected and deposits to ensure that the MTF has been completed, collected and properly stored.</p>		
2.	<u>2023.02:</u> <u>Administration of</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The principal must implement internal controls to ensure the monthly reconciliations are reviewed in a timely manner. As outlined in the APM, the bank reconciliation process must be completed by the 15 th of the subsequent month.	Concur	Monthly reconciliations have been added to the bookkeeper and my Google calendars as a task with reminders to ensure that the process is completed by the 15th of the subsequent month.	July 2023	Implemented

Principal Signature _____

Date _____

3.	<u>2023.03:</u> <u>Principal</u> <u>Sponsored</u> <u>Activities (PSA)</u> <u>Fund Account</u> <u>Deficit</u>	The principal should work towards the elimination of this deficit. This can be accomplished by cessation of spending from the PSA fund accounts and transferring only authorized funds according to the APM. Due care must be exercised by the recordkeeping staff to ensure that expenditures are properly classified.	Concur	BHES will conduct a staff-only fundraiser to work toward the elimination of this deficit. The bookkeeper will review the APM to ensure that only authorized funds are transferred.	August/September 2023	Not implemented
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Principal Signature_____

Date_____