

**Internal Audit Report**

**C. Elizabeth Rieg Regional School  
School Activity Funds**

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

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of C. Elizabeth Rieg Regional School for the period July 1, 2017 through October 31, 2023. C. Elizabeth Rieg Regional 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 Monetary Transmittal Form Documentation*
- *Mismanagement of Disbursements*
- *Inadequate Grant Reporting*
- *Overspending in Principal Sponsored Activities Fund Account*

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 October 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 **C. Elizabeth Rieg Regional School** for the period July 1, 2017 through October 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 **4** 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 selected bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2017 through October 31, 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:

**2024.01 Mismanagement of Monetary Transmittal Form Documentation**

End of year envelopes were not available for review for FY 2018 through FY 2023. The recordkeeping staff also retained pink and yellow MTF remittances for the MTFs processed during FY 2022 and FY 2023 instead of returning them to the originating staff members.

The APM provides the following guidelines for the management of MTF documentation: According to the APM, Section 4.5.2.2 *Collecting Funds: Completing the Monetary Transmittal Form*, prior to departing at year-end, faculty and program managers are to submit pink and yellow copies of the MTF(s) in sealed envelopes (with their signature over the seal) to the designated administrator. 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.

The principal and recordkeeping staff explained that MTF envelopes for FY 2018 through FY 2021 were misplaced or destroyed during the school renovations July 2020 - April 2021. The recordkeeping staff was also not aware of the MTF process during FY 2022 and FY 2023 which resulted in the filing of MTF remittances with the supporting documentation instead of returning them to staff.

Missing End of Year MTF remittances impacts the quality of compensating evidence for collections when the primary supporting documentation is not available for review or when the original MTF and both pink and yellow remittances are retained by the recordkeeping staff. Also, missing supporting documentation hinders timely detection of errors in financial records and negates the audit trail necessary to support SAF collections.

**Recommendations:** The principal must ensure that an adequate records management system is established that ensures the maintenance of end of year MTF envelopes. This system must ensure that financial records are safeguarded in the event of office transition.

The principal should organize training in collaboration with the AFRO on the processing of MTFs to educate the recordkeeping staff on the responsibility for properly processing MTFs. The recordkeeping staff must be held accountable for compliance.

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**2024.02 Mismanagement of Cash Disbursements**

The following exceptions were noted relative to cash disbursements during the audit:

- A. **Delinquent Payment** – A vendor payment was grossly delinquent. Check # 7267 was processed 182 days late.
- B. **Missing Cancelled Checks** – There were **3** instances where cancelled checks **were** not available for review.
- C. **Noncompliance with the Dual Signature Requirement** – There were **2** instances where cancelled checks reviewed had only one authorized signature.

The APM provides the following guidelines for administering disbursements:

- A. Section 4.5.3.1 *Inclusion of Supporting Documentation* – Requires invoices to be paid within 30 days of receipt or by the due date.
- B. Section 4.5.3.1 **7. Cancelled (Paid) Check Images** - Images of all cancelled checks must be returned with the bank statement. Once received, these images are to be maintained in a separate cancelled check file for the entire year. The Bookkeeper must safeguard these images of cancelled checks, including endorsement information on the back of the checks.
- C. Section 4.5.3.1 *Check Writing* - Two authorized signatures are required on all checks. In accordance with AP 4180, School Bank Accounts. The two standard check signers should be the principal and the bookkeeper. The third signer must be a vice-principal or school administrator.

The following explanations were provided for the deficiencies noted:

- A. Reportedly, the principal was not aware that there was a specific number of days within which payments are required to be made.
- B. The recordkeeping staff explained that the cancelled checks were misplaced during the school's transition after the renovations.
- C. Reportedly, the principal and recordkeeping staff were not aware that two signatures were required on each check issued.

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

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- A. Delinquent payments to vendors impact the school/vendor relationship and can result in charges to the school for late fees.
- B. Failure to retain pertinent disbursement documentation negates the audit trail required for determining the school's compliance with policies and procedures.
- C. Failure to comply with the dual signature requirement weakens the school's internal controls and exposes the school to the risk of inappropriate expenditures and the possibility of fraudulent purchases.

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

- 1. The principal must refer to the APM and comply with the requirement that bills are paid within 30 days of receipt or before the invoices are due.
- 2. The principal and recordkeeping staff should implement a records management system where all financial records, including disbursement records, are filed in an organized manner and are retrievable when requested by authorized personnel.
- 3. The principal and recordkeeping staff must implement procedures to ensure that each check processed is signed by the principal or recordkeeping staff and or an approved alternate.

**2024.03 Inadequate Grant Reporting**

The school received 2 grants in FY 2022 and 2023 that totaled \$1,968.58. The requirement for reporting these funds to the Grant Financial Management Office (GFMO) was not followed.

The APM Section 9.3 *Accounting for Grants and Donations* provides all grants and donations made directly to schools, irrespective of amount, should be reported to the GFMO. The completed form and attachments are required to be electronically transmitted to the GFMO within 5 days of the grant award.

Reportedly, the principal did not understand that the grant reporting requirement applies to all grants received but rather those above a certain threshold - \$5,000.

Failure to report grants to the GFMO constitutes non-compliance with BOE policies and procedures. The Grants Financial Management Office is not able to properly evaluate and record the school's grant transactions when the required reporting is not performed.

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**Recommendation:** The principal must establish procedures to ensure that the grant reporting requirement is adhered to for all grants received by the school.

**2024.04 Insolvent Principal Sponsored Activities Fund Account**

The Principal Sponsored Activities (PSA) fund account had a deficit of (\$1,684.02) as of October 31, 2023. The PSA fund deficit was (\$1,788.10) in the prior audit ended 6/30/2017.

The APM Section 4.5.3.1, *Procedures* states that expenditures for all restricted accounts must be limited to the amount of funds collected for those activities. However, if restricted fund accounts exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are always solvent.

The principal explained that the deficit in the PSA fund account was caused by prior administrators. Reportedly, efforts are currently being made to reduce the deficit.

The risk of the school becoming insolvent increases when spending in restricted funds accounts exceed the available resources. Further, students are not benefiting from the funds that should otherwise be available to them.

**Recommendation:** The school administration should continue to seek opportunities to resolve the deficit. Expenditures relative to PSA must cease until the deficit is eliminated.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for C. Elizabeth Rieg Regional School was issued for the period ended June 30, 2017. The principal and recordkeeping staff were not in their current positions during that audit. The previous audit included 7 audit findings and 3 were repeated in the current audit report. The following findings were noted during that audit and the status is indicated below:

- **Insolvent Principal Sponsored Activities Fund Account** – Still observed. See Finding 2024.04 regarding *Insolvent Principal Sponsored Activities Fund Account*.
- **Administration of Vending Contracts** – This condition was not noted in the current audit.
- **Mismanagement of Funds Received** – Partially Resolved. See Finding 2024.03 regarding *Inadequate Grant Reporting*
- **Management of Disbursements** – This condition was not noted in the current audit.
- **Administration of Voided Checks** – This condition was not noted in the current audit.
- **Fundraiser Forms not completed** – This condition was not noted in the current audit.
- **End of Year MTF Procedures Not Followed** – Still observed. See Finding 2024.01 regarding *Mismanagement of Monetary Transmittal Form Documentation*.



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**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of C. Elizabeth Rieg Regional School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: C Elizabeth Rieg Regional**  
**Response Due Date March 12, 2024**

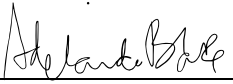
	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<b><u>2024.01</u></b> <b><u>Mismanagement</u></b> <b><u>of Monetary</u></b> <b><u>Transmittal Form</u></b> <b><u>Documentation</u></b>	<p>The principal must ensure that an adequate records management system is established that ensures the maintenance of end of year MTF envelopes. This system must ensure that financial records are safeguarded in the event of office transition.</p> <p>The principal should organize training in collaboration with the AFRO on the processing of MTFs to educate the recordkeeping staff on the responsibility for properly processing MTFs. The recordkeeping staff must be held accountable for compliance.</p>	<p>Concur</p> <p>Concur</p>	<p>The principal and the secretary developed a system to monitor and ensure that maintenance of end of year MTF envelopes are done appropriately. MTF review/monitoring is now a part of the principals/secretary meetings.</p> <p>Review of the guidelines according to the manual was completed. The secretary is responsible for ensuring that all MTF is processed appropriately and staff trained according to the guidelines.</p>	Effective February, 2024	<b>Implemented</b>

**Principal Signature** Andrew Ball

**Date** 5/20/2024



3.	<b><u>2024.03 Inadequate Grant Reporting</u></b>	The principal must establish procedures to ensure that the grant reporting requirement is adhered to for all grants received by the school.	Partially Concur	3. All incoming grants are reported according to PGCPs financial policy. All paperwork will be completed by the bookkeeper aligned with requirements.	As of February, 2024	<b>Implemented</b>
4.	<b><u>2024.04 Insolvent Principal Sponsored Activities Fund Account</u></b>	The school administration should continue to seek opportunities to resolve the deficit. Expenditures relative to PSA must cease until the deficit is eliminated.	Partially Concur	4. School administration continues to resolve the deficit that was in place before taking the position of principal.	Ongoing since 2020	<b>Implemented</b>

Principal Signature 

Date 5/20/2024