

# Internal Audit Report

Charles Carroll Middle  
School Activity Funds

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

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**Table of Contents**

Internal Auditor's Report	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDIT FINDINGS	10
ACKNOWLEDGEMENT	10

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Charles Carroll Middle School for the period of December 1, 2017 to October 31, 2023. Charles Carroll Middle School's principal is responsible for the administration of the 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 seven findings:

- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Restricted Fund Account Deficits*
- *Record Retention*
- *Delinquent Financial Reporting*
- *Administration of Voided Checks*

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

In our opinion, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has mostly been 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

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**SUMMARY**

An audit of the school activity funds (SAF) for Charles Carroll Middle was completed for the period December 1, 2017 to October 31, 2023. The audit was conducted as part of the 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 6 findings, 4 of which occurred under the leadership of the current principal. The findings and the personnel responsible are included in the appendix to 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 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 examination of selected and available bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period December 1, 2017 to October 31, 2023. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. The audit was limited to documentation provided (*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.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2024.01 Mismanagement of Funds Received**

There were **57** instances of non-compliance regarding the administration of funds received:

- ***Delinquent Deposits:*** There were **7** instances where funds were not remitted to the recordkeeping staff for deposit timely. Delinquencies ranged from **5** to **71** days.
- ***Inadequate MTF Documentation:*** There were **14** instances where deposits were not properly documented.
- ***Inadequate Completion of MTFs:*** There were **19** instances where MTFs excluded required information or were incorrect.
- ***Changes Inappropriately Made to MTFs:*** There were **3** instances where MTF alterations were improperly made.
- ***Year-End Envelope Administration:*** There were at least **14** instances where year-end MTF envelopes were not signed across the seal by staff.

According to the APM provides the following requirements for administering collection. Specifically, Section 4.5.2.2 *Cash Receipts Procedures*, states:

- All funds collected must be submitted to recordkeeping staff on the same day collected, along with a completed MTF.
- Staff collecting funds are responsible for filling in all required information on MTF documents. The exact composition of the funds and the total amount remitted to recordkeeping staff must be itemized and the grand total on the MTF must agree with the total on the Student Remittance Report.
- When MTF corrections are necessary, the originator of the MTF must make the correction by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry. The reason for the correction must be noted on the MTF and the originator must sign the correction. Errors are never corrected using whiteout or any other method that obscures the original value on the form.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

- Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow copies of their MTFs in a sealed envelope (with their signature over the seal) to the designated administrator.

The following causes were noted for the ineffective management of funds received:

- Staff members were not held accountable for ensuring that funds were remitted to the recordkeeping staff on the day of collection.
- The recordkeeping staff was not familiar with all the requirements listed in the APM regarding administration of funds received.
- Staff members did not complete MTFs as required. The recordkeeping staff did not identify errors on the MTFs and require correction.
- The principal did not establish procedures to ensure that MTF envelopes were submitted as required.

The risk of loss of funds is increased when funds are not deposited timely. Internal controls regarding the collection of funds are compromised and the audit trail for substantiating collection is weakened when funds received are not appropriately documented.

**Recommendations:** The principal and recordkeeping staff should implement the following to ensure that funds received are appropriately administered.

1. The principal and recordkeeping staff should hold staff accountable for prompt remittance of funds.
2. The recordkeeping staff should review the APM and become familiar with the requirements regarding the administration of funds received.
3. Staff members should be held accountable for adequately completing and correcting the MTF when collecting and remitting funds to the recordkeeping staff.
4. Procedures must be implemented to ensure that MTF envelopes are submitted with staff signature over the seal.

**2024.02 Mismanagement of Disbursements**

There were **17** instances of non-compliance regarding the disbursement of funds:

- ***Inadequate Pre-Approval of Expenditures:*** There were **12** instances where School Funds Expenditure Forms (SFEFs) were not adequately completed and approved.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

- ***Improper Use of the Refund Vendor Option:*** There were **2** instances where refunds issued to parents were recorded as reimbursements.
- ***Check Signatures:*** There were **3** instances where cancelled checks contained only one authorized signature.

The APM Section 4.5.3 *Cash Disbursements* provides the following guidance:

- Prior to ordering or purchasing goods or services, a School Funds Expenditure Form must be completed and signed by the principal.
- Checks issued as refunds to parents are required to be posted as “REFUND” in SFO.
- 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 recordkeeping staff.

The following explanations were provided for the mismanagement of disbursements:

- The principal, whose tenure began July1, 2023, was not familiar with all the approval requirements for expenditures.
- Recordkeeping staff was not aware of the *Refund Vendor* Option for issuing checks to parents.
- The three disbursements with only one authorized signature were issued before the tenure of the current principal and recordkeeping staff. The cause for this noncompliance could not be determined.

Internal controls are compromised when disbursements are not processed in accordance with the requirements of the APM. Inadequate approval by the principal and inappropriate processing of transactions exposes the school to the risk of fraud and inaccuracies in financial statements, increasing the risk of insolvency. Noncompliance with the dual signature requirement for checks increases the school’s risk of check fraud.

**Recommendations:** The following steps must be taken to address the mismanagement of disbursements:

1. The principal must review the APM to become familiar with the requirements and properly approve expenditures accordingly.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

2. The recordkeeping staff must review the APM to become familiar with the requirement and process refunds to parents accordingly.
3. The principal and recordkeeping staff must implement procedures to ensure that checks are not issued unless signed by two authorized parties.

**2024.03 Restricted Fund Account Deficits**

There were **2** instances where restricted fund accounts had deficits which totaled **(\$1,237.51)** as of October 31, 2023.

Account Number	Account Description	Deficit
415.05	PTA Donation	(\$1,126.22)
516.00	AVID	(\$111.29)

According to the APM Section 4.3, *Fund Accounts*, expenditures for all restricted fund accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are always solvent.

A reimbursement of \$31.97 for food for a Parents Academy event was disbursed from account 415.05 PTA Donation on 12/16/2016 when there were no available funds. A \$364.75 reimbursement for a teachers' appreciation lunch was incorrectly disbursed from the 415.05 fund account on 8/23/2019. Two fund transfers from account 415.05 of 364.75, for a total of \$729.50, were erroneously performed to correct the prior incorrect posting. These transactions resulted in a total account deficit of **(\$1,126.22)**.

A \$450.00 expenditure for bus service for a field trip was paid from account 516.00 AVID on 11/26/2018 with an available account balance of \$338.71 resulting in the **(\$111.29)** deficit.

The disbursements listed above occurred during the administration of a previous principal; therefore, a further cause for the deficits could not be determined.

Overspending in restricted fund accounts results in insufficient funds being available to administer students' activities. Moreover, overspending in restricted fund accounts can result in the school becoming insolvent.



**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**Recommendation:** The recordkeeping staff should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits. The current recordkeeping staff must exercise due care when processing expenditures to ensure that funds are available and that disbursements are posted to the appropriate fund account. Expenditures from these accounts should be discontinued until the deficits are resolved.

**2024.04 Record Retention**

There were **73** instances where SAF records could not be located for review as follows:

- End-of-Year MTF Envelopes: **9** Envelopes.
- Yellow or Pink MTF Remittance Copies: **10** MTF remittance records
- Deposit Supporting Documentation: **23** verified bank deposit slip records
- Disbursement Pre-Approvals: **4** School Funds Expenditure Form records
- Disbursement Supporting Documentation: **27** cancelled check image records

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, disbursements, MTFs, SFEFs, cancelled checks, and school contracts.

An effective records management system was not in place at the school to ensure that all financial records were secure and retrievable. The End-of-Year MTF procedures were overlooked for staff members who departed the school mid-year.

Assurance that SAF transactions were conducted in accordance with BOE policies cannot be verified when financial records are not available for audit. ***This condition was also noted in the previous audit as of November 30, 2017.***

**Recommendation:** The principal and recordkeeping staff must implement an effective records management system and periodically review SAF records to ensure that all documentation is maintained in accordance with the record retention policy.

**2024.05 Delinquent Financial Reporting**

There were **4** instances where monthly financial reporting was not completed and reviewed in a timely manner. Delinquencies ranged from **12 to 91 days**.

According to APM Section 5.1.2, *Monthly Reconciliation and Financial Reporting*, the recordkeeping staff is required to complete the bank reconciliation within 7 days of receiving the monthly bank statement. All monthly financial reports should be completed and reviewed by the principal by the 15<sup>th</sup> of the following month.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

The current principal began his tenure at the school on July 1, 2023, and reportedly had not been granted access to the school's electronic bank statements. Monthly financial reporting was delayed while the school waited to receive paper copies of the bank statements. Also, competing priorities during the beginning of the school year resulted in the delinquent review of the school's first 3 monthly financial reports.

The principal's fiscal responsibility is compromised when monthly financial reporting is not prepared or reviewed in a timely manner. Timing differences or other errors may not be detected and corrected promptly when the reconciliation process is not performed as intended.

**Recommendation:** The principal should contact the assistant treasurer's office to obtain electronic access to the school's bank statements. This will allow for timely receipt of monthly bank statements and timely preparation of monthly bank reconciliations. Priority should be given to ensure that the financial reporting requirements are followed regarding timely financial report reviews.

**2024.06 Administration of Voided Checks**

There were **11** instances where voided checks were retained without removal of the signature line.

According to the APM Section 4.5.3.2 *Summary of Cash Disbursement Procedures*, voided checks should be defaced and filed with cancelled check images.

Reportedly, the recordkeeping staff was not familiar with the requirement for removing the signature line from void checks.

Failure to properly deface voided checks could result in unauthorized negotiation of checks and increase financial risk to the school. ***This condition was also noted in the previous audit as of November 30, 2017.***

**Recommendation:** The recordkeeping staff should be reminded of the importance of the proper administration of voided checks by reviewing the APM and be held accountable for compliance. All voided checks must have "VOID" written across the face of the check and the signature line must be removed during the voiding process.

**Charles Carroll Middle School  
School Activity Funds  
Internal Audit Report  
For Period Ended October 31, 2023**

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Charles Carroll Middle School was issued for the period ended November 30, 2017. The current principal was not on staff during that audit; the current recordkeeping staff was not on staff during that audit. There were **5** findings noted because of that audit, summarized below.

- **Record Retention** – Condition still exists. See **Finding 2024.04** regarding *Record Retention*.
- **Transfers Not Properly Approved** – Condition was not noted during this audit.
- **Vending Machine Contract** – Condition was not noted during this audit.
- **Administration of Voided Checks** – Condition still exists. See **Finding 2024.06** regarding *Administration of Voided Checks*.
- **Fundraising Forms** – Condition was not noted during this audit.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of Charles Carroll Middle School for their cooperation and assistance extended during the audit.

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

**School/Office: Charles Carroll MS**

**Response Due Date March 27, 2024**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<b>Status</b> Implemented Partially Implemented Not Implemented
1.	<b><u>2024.01 Mismanagement of Funds Received</u></b>	The principal and recordkeeping staff should implement the following to ensure that funds received are appropriately administered. 1. The principal and recordkeeping staff should hold staff accountable for prompt remittance of funds. 2. The recordkeeping staff should review the APM and become familiar with the requirements regarding the administration of funds received. 3. Staff members should be held accountable for adequately completing and correcting the MTF when collecting and remitting funds to the recordkeeping staff. 4. Procedures must be implemented to ensure that MTF envelopes are submitted with staff signature over the seal.	<div style="border: 1px solid red; padding: 5px; color: red;">Note: follow-up with school principal indicates that all findings should read "concur" - see email following action plan</div>	To ensure that funds received are appropriately administered, the following steps will be implemented:  1. Hold Staff Accountable: The principal and recordkeeping staff will hold staff accountable for prompt remittance of funds. 2. Review APM: The recordkeeping staff will review the APM (Administrative Procedures Manual) to become familiar with the requirements regarding the administration of funds received. 3. MTF Completion: Staff members will be held accountable for adequately completing and correcting the MTF (Money Transaction Form) when collecting and remitting funds to the recordkeeping staff.	March 27, 2024	Implemented

**Principal Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

				4. MTF Envelopes: Procedures will be implemented to ensure that MTF envelopes are submitted with staff signature over the seal.		
2.	<b><u>2024.02</u></b> <b><u>Mismanagement</u></b> <b><u>of Disbursements</u></b>	The following steps must be taken to address the mismanagement of disbursements: 1. The principal must review the APM to become familiar with the requirements and properly approve expenditures accordingly. The recordkeeping staff must review the APM to become familiar with the requirement and process refunds to parents accordingly. 3. The principal and recordkeeping staff must implement procedures to ensure that checks are not issued unless signed by two authorized parties.		To address the mismanagement of disbursements, the following steps will be taken:  1. Review APM: The principal and recordkeeping staff will review the APM to become familiar with the requirements and properly approve expenditures accordingly. 2. Restricted Fund Deficits: The recordkeeping staff will contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits. 3. Expenditure Processing: The current recordkeeping staff must exercise due care when processing expenditures to ensure that funds are available and that disbursements are posted to the appropriate fund account. Expenditures from these accounts should be discontinued until the deficits are resolved.	March 27, 2024	Implemented

Principal Signature \_\_\_\_\_

Date \_\_\_\_\_

3.	<b><u>2024.03 Restricted Fund Account Deficits</u></b>	The recordkeeping staff should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted fund account deficits. The current recordkeeping staff must exercise due care when processing expenditures to ensure that funds are available and that disbursements are posted to the appropriate fund account. Expenditures from these accounts should be discontinued until the deficits are resolved.		<p>Additionally, we will implement the following measures:</p> <p>1. Records Management: Implement an effective records management system and periodically review SAF (School Activity Fund) records to ensure that all documentation is maintained in accordance with the record retention policy.</p> <p>2. Electronic Access to Bank Statements: The principal will contact the assistant treasurer's office to obtain electronic access to the school's bank statements for timely receipt and preparation of monthly bank reconciliations.</p>	March 27, 2024	Implemented
4.	<b><u>2024.04 Records Retention</u></b>	The principal and recordkeeping staff must implement an effective records management system and periodically review SAF records to ensure that all documentation is maintained in accordance with the record retention policy.		<p>1. Financial Reporting Requirements: Priority will be given to ensuring that financial reporting requirements are followed regarding timely financial report reviews.</p> <p>2. Proper Administration of Voided Checks: The recordkeeping staff will be reminded of the importance of proper administration of voided checks by reviewing the APM and held accountable for compliance. All voided checks must have "VOID" written across the face of the check, and the</p>	March 27, 2024	Implemented

Principal Signature \_\_\_\_\_

Date \_\_\_\_\_

				signature line must be removed during the voiding process.		
5.	<b><u>2024.05 Delinquent Financial Reporting</u></b>	The principal should contact the assistant treasurer's office to obtain electronic access to the school's bank statements. This will allow for timely receipt of monthly bank statements and timely preparation of monthly bank reconciliations. Priority should be given to ensure that the financial reporting requirements are followed regarding timely financial report reviews.		1. Financial Reporting Requirements: Priority will be given to ensuring that financial reporting requirements are followed regarding timely financial report reviews.	March 27, 2024	Implemented
6.	<b><u>2024.06 Administration of Voided Checks</u></b>	The recordkeeping staff should be reminded of the importance of the proper administration of voided checks by reviewing the APM and be held accountable for compliance. All voided checks must have "VOID" written across the face of the check and the signature line must be removed during the voiding process		1. Proper Administration of Voided Checks: The recordkeeping staff will be reminded of the importance of proper administration of voided checks by reviewing the APM and held accountable for compliance. All voided checks must have "VOID" written across the face of the check, and the signature line must be removed during the voiding process.	March 27, 2024	Implemented

Principal Signature \_\_\_\_\_

Date \_\_\_\_\_