

Internal Audit Report

**Kenilworth Elementary School
School Activity Funds**

For the Period Ended January 31, 2024

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Kenilworth Elementary School for the period November 1, 2017 through January 31, 2024. Kenilworth 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*
- *Mismanagement of Disbursements*
- *Administration of Voided Checks*
- *Mismanagement of Bank Reconciliations*
- *Missing Annual Fundraising Reports*

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 January 31, 2024.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for **Kenilworth Elementary School** for the period November 1, 2017 through January 31, 2024. 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 **5** findings which occurred under the leadership of the former and current principals. 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 complied 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 bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the audit period. Also, selected receipts, disbursements and supporting documentation were reviewed for the period November 1, 2017 through January 31, 2024.

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 Funds Received

The following exceptions pertaining to the management of funds received were identified:

- A. *Administration of Year-end MTF Envelopes* – Year-end MTF Envelopes for FY 2022 were not available for review.
- B. *Delinquent Deposits*- There were **4** instances where deposits were not made timely. Deposits were made between 6 and 41 days delinquent in 3 instances. Also, a deposit of \$570.00 was held overnight.

The APM provides the following guidelines for management of funds received:

- A. Section 4.5.2.2 *Collecting Funds: Completing the Monetary Transmittal Form* requires faculty and program managers to submit the pink and yellow copies of MTFs in a sealed envelope (with their signature over the seal) to the designated administrator prior to departing at year-end.
- B. 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 \$250.00 should be kept in the building overnight.

The following explanations were provided for the deficiencies noted:

- A. The assistant principal, who was responsible for administering Year-end MTF envelopes, changed offices and some financial records including the FY 2022 Year-end MTF envelopes were misplaced or destroyed during the move.
- B. According to the recordkeeping staff, there were occasions when it was not possible to make deposits as required. The front office was under-staffed until December 2023 resulting in the recordkeeping staff having to perform additional duties.

Mismanagement of funds received constitutes noncompliance with BOE policies and procedures and can adversely impact the school's finances. Specifically:

- A. Missing End of Year MTF remittances impact the quality of compensating evidence to provide support for collections.

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- B. Delinquent deposits of funds received impact timeliness of processing of financial transactions and increases the risk of loss to the school.

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

1. The principal should develop a policy to address retention and safeguarding of financial records.
2. The principal should implement procedures that make provision for consistent timely deposits. Specific time should be allotted each day to allow for deposits to be made as required.

2024.02: Mismanagement of Disbursements

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

- A. **Unavailable Documentation** – There were **3** instances where invoices to substantiate payments processed were not available for review. There were **4** instances where School Funds Expenditure Forms (SFEF) and corresponding supporting documentation were not available for review. There were also **46** instances during the audit period where cancelled checks could not be located for review.
- B. **Inadequate Approval** – There were **3** instances where SFEFs were either not approved or partially approved.

The APM provides the following guidelines for administering disbursements:

- A. Section 4.5.3.1 *Procedures 2. Inclusion of Supporting Documents* - All checks must have itemized documentation attached to the SFEF that supports the amount of the check. 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 bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.
- B. Section 4.5.3.1 *Procedures: Pre-Approval by the Principal* - Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. Schools and their SAF cannot be liable for financial obligations made by staff if the individual fails to complete this form.

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The following explanations were provided for the mismanagement of disbursements:

- A. *Unavailable Documentation:* The recordkeeping staff explained that School Funds Expenditure Forms were occasionally prepared based on verbal instructions. Staff members were not required to attach invoices after purchases were made. The recordkeeping staff also stated that certain expenditures occurred in September 2021 (Covid -19 closures) when staff worked from home. There were no procedures in place to guide staff on how to ensure that underlying documentation was submitted and retained. Cancelled checks were misplaced during renovation of the school. Financial records were not inventoried during relocation of the administrative office.
- B. *Inadequate Approval:* The recordkeeping staff did not perform careful review of SFEEs to ensure that the necessary approval was documented.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically:

- A. The absence of invoices for goods and services impacts the justification of the amounts paid and the goods and services received. Failure to retain pertinent disbursement documentation including cancelled checks negates the audit trail required for determining the school's compliance with policies and procedures relative to disbursements.
- B. When expenditures are not approved as required, the school is exposed 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 and recordkeeping staff should implement procedures to ensure all internal controls relative to disbursing funds are followed. Specifically, approval must be documented on SFEEs and invoices and other required documents must be included to substantiate expenditures.
- 2. The principal should ensure that an effective records management system is implemented to facilitate the security and retrieval of financial records.
- 3. The recordkeeping staff must carefully review SFEEs to ensure that approvals are properly documented before initiating payments.

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2024.03: Administration of Void Checks

The following exceptions pertaining to the management of voided checks were identified:

- A. ***Missing Voided Checks*** - Voided checks were not available for review in **17** instances.
- B. ***Defacement of Voided Checks*** – Voided checks were not properly defaced by removal of the signature line in **4** instances.
- C. ***Not Posted in SFO*** - Voided checks were not posted in SFO in **5** instances.

The APM provides the following guidelines for management of void checks:

- 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. The bookkeeper or financial secretary is responsible for accurately recording and reporting the school's financial transactions.
- B. *Section 4.5.3.2, Cash Disbursements: Policies and Procedures*, states that if an error is made on a check at the time it is prepared, or a check is damaged and unable to be used, the physical check must still be accounted for. The word "VOID" is written across the face of the check. The signature portion of the check must be removed and destroyed.
- C. *Section 4.5.3.2 Summary of Check Disbursement Procedures* requires that checks that are generated in School Funds Online be posted to the proper fund category in the accounting system.

The following explanations were provided for the mismanagement of void checks:

- A. *Missing Voided Checks* – The recordkeeping staff explained that the checks were misplaced during the renovations. The recordkeeping staff also stated that there were no procedures to guide staff on how to preserve financial records during the evacuations.
- B. *Voided Check Not Defaced and or Recorded in SFO* – The recordkeeping staff explained that failure to deface the voided checks and not entering the voided checks in SFO was an oversight.

Mismanagement of void checks constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically,

- A. Missing documentation negates the audit trail and makes it more difficult to identify and correct errors in a timely manner.

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- B. Voided checks containing the signature line, especially when the check has been signed, increases the risk of check fraud. Also, failure to post all voided checks creates gaps in the check numbering, thereby impacting accountability for all check transactions.

Recommendations: The principal should periodically review the voided checks folder and the accounting system to ensure that the policies and procedures relative to the administration of voided checks are consistently followed. The recordkeeping staff should be held accountable for compliance.

2024.04: Delinquent Monthly Bank Reconciliations

There were **3** instances where monthly bank reconciliations were not prepared in a timely manner. The delinquency ranged from 4 to 18 days.

The APM Section 4.2.2, *Bank Account Procedures*, requires the bank account to be reconciled within 7 days of receipt of the bank statement. The principal is also required to conduct reviews of bank reconciliations by the 15th day of each month. The bookkeeper is responsible for accurately recording and reporting the school's financial transactions.

The recordkeeping staff explained that the principal was not always in the office to provide access to bank statements, and review and approval of the bank reconciliations. This delayed the reconciliation process.

Delinquent reconciliations impact the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify erroneous transactions may also be impacted.

Recommendation: The principal should implement internal controls to ensure that all bank reconciliations are consistently performed in accordance with the requirement for timely reporting.

2024.05 Administration of Fundraising Reports

The school conducted **7** school-wide fundraisers during the audit period. Annual reports summarizing the fundraising activities for FY 2022 and FY 2023 were not prepared and included in the school's financial records.

The APM Section 7.2.2 *Fundraiser Procedures* requires the principal to prepare an annual report summarizing all fundraising activities concluded during the school year. The data in this annual report should be available for review by parents and other interested members of the community, and include the net amount retained as profit from each fundraising activity.

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The principal and recordkeeping staff were not conversant with the APM regarding completion of annual fundraising reports.

Lack of fundraiser reports constitutes non-compliance with BOE policies and procedures and reduces transparency required to be provided to auditors, parents, and members of the school community.

Recommendation: The principal and recordkeeping staff should review the APM to become familiar with the reporting requirements for administration of fundraisers. The principal or a designee must ensure that reports of fundraising activities are prepared at the end of each school year as required.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Kenilworth Elementary School was issued for the period ended October 31, 2017. The current principal was not in that position; however, the recordkeeping staff was in the current position during that audit. The previous audit included 6 audit findings and 4 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 Disbursements – Partially addressed.** See finding 2024.02 regarding *Mismanagement of Disbursements: Inadequate Approval*.
- **Mismanagement of Funds Received - Partially addressed.** See finding 2024.01 regarding *Mismanagement of Funds Received: Delinquent Deposits* and finding 2024.05 regarding *Administration of Fundraising Reports*
- **Administration of Sales Tax - -Sales Tax Not Collected-** *This condition was not noted in the current audit.*
- **Year-End Monetary Transmittal Form Envelopes Collection Process -Missing MTF Documentation - Still observed.** See finding 2024.01 regarding *Mismanagement of Funds Received*.
- **Record Retention - Still observed.** See finding 2024.01 regarding *Mismanagement of Funds Received: Administration of Year-end MTF Envelope*; See finding 2024.02 regarding *Mismanagement of Disbursements: Unavailable Documentation*; and finding 2024.03 regarding *Administration of Void Checks*.
- **Vending Machines – Contract Not on File - This condition was not noted in the current audit.**

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ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office- Kenilworth Elementary School
Response Due Date June 20, 2024**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2024.01</u> <u>Mismanagement</u> <u>of Funds Received</u>	<p>1. The principal should develop a policy to address retention and safeguarding of financial records.</p> <p>2. The principal should implement procedures that make provision for consistent timely deposits. Specific time should be allotted each day to allow for deposits to be made as required.</p>	<p>Partially concur</p> <p>Concur</p>	<p>1. The Principal will store financial records in her vault. (The MTF were displaced due to offices moving and the floors being replaced prior to my tenure. Records have since been located.)</p> <p>2. The Principal/Bookkeeper will make the necessary adjustments in order to ensure that deposits make it to the bank on time. This will also address teachers placing money in the safe after hours.</p>	<p>5/2023</p>	<p>Implemented</p> <p>Implemented</p>
2.	<u>2024.02</u> <u>Mismanagement</u> <u>of Disbursements</u>	<p>1. The principal and recordkeeping staff should implement procedures to ensure all internal controls relative to disbursing funds are followed. Specifically, approval must be documented on SFEEFs and invoices and other required</p>	Concur	<p>1. The bookkeeper will ensure that prior to the Principal approving the expenditure form, funds are properly identified and placed on the line on the expenditure forms along with his/her initials. The Principal/bookkeeper will ensure that all documentation is attached prior to approving the disbursement of funds</p>		Implemented

Principal Signature *Rhonda R. Clomax*

Date September 3, 20204

		<p>documents must be included to substantiate expenditures.</p> <p>2. The principal should ensure that an effective records management system is implemented to facilitate the security and retrieval of financial records.</p> <p>3. The recordkeeping staff must carefully review SFEFs to ensure that approvals are properly documented before initiating payments.</p>	<p>Partially Concur</p> <p>Concur</p>	<p>2. The Principal will store financial records in her vault. (The MTF were displaced due to offices moving and the floors being replaced prior to the current principal's tenure. Records have since been located.)</p> <p>3. The bookkeeper will ensure that the amount(s) approved for expenditures by the Principal are properly identified and placed on the line on the expenditure forms along with his/her initials. The Principal/bookkeeper will ensure that all documentation is attached prior to approving the disbursement of funds</p>		<p>Implemented</p> <p>Implemented</p>
3.	<u>2024.03</u> <u>Administration of</u> <u>Void Checks</u>	The principal should periodically review the voided checks folder and the accounting system to ensure that the policies and procedures relative to the administration of voided checks are consistently followed. The recordkeeping staff should be held accountable for compliance.	Partially concur	The Principal/Bookkeeper will review the financial records monthly to ensure that all policies and procedures as outlined in the APM are being adhered to with fidelity. The schools funds expenditure form will be completed, noting the check was voided. The physical check will be filed in check number sequence with images of canceled checks. (This was prior to the current Principal tenure)		Implemented

Principal Signature *Rhonda R. Clomax*

Date September 3, 20204

4.	<u>2024.04</u> <u>Delinquent</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The principal should implement internal controls to ensure that all bank reconciliations are consistently performed in accordance with the requirement for timely reporting.	Concur	The principal will gain access to electronic bank statements so that when the statements do not arrive via U.S.Mail the principal can download an electronic copy so that monthly reports can be completed in a timely fashion.		Partially Implemented
5.	<u>2024.05</u> <u>Administration of</u> <u>Fundraising</u> <u>Reports</u>	The principal and recordkeeping staff should review the APM to become familiar with the reporting requirements for administration of fundraisers. The principal or a designee must ensure that reports of fundraising activities are prepared at the end of each school year as required.	Partially Concur	Bookkeeper will ensure that staff complete the fundraiser Request for Authorization form prior to the commencement of the fundraiser. Staff will also complete the fundraiser completion form at the end of each fundraiser. The bookkeeper at the end of the year will generate reports for all fundraising activities to facilitate completion of the annual fundraising summary report. An adequate filing system will be implemented to facilitate retrieval of the forms and reports. (This was prior to the current principals tenure)		Implemented

Principal Signature *Rhonda R. Clomax*

Date September 3, 20204