

Internal Audit Report

Kettering Middle School

School Activity Funds

For the Period Ended November 30, 2023

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For Period Ended November 30, 2023**

Table of Contents

INTERNAL AUDITOR’S REPORT	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDIT FINDINGS	9
ACKNOWLEDGEMENT	10

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Kettering Middle School for the period November 1, 2021 to November 30, 2023. Kettering 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 findings:

- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Delinquent Financial Reporting*
- *Lack of Budgeting for Clubs and Organizations*
- *Fundraiser Reports Not Completed*

The findings resulted in a material 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, there is significant non-compliance with BOE policies and procedures and the APM, for Kettering Middle School SAF, for the period ended November 30, 2023.



Michele Winston, CPA
Director, Internal Audit

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

SUMMARY

Internal Audit completed an audit of the student activity funds (SAF) for Kettering Middle School for the period November 1, 2021 to November 30, 2023. The audit was conducted as part of the annual audit plan.

The 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. In addition, detailed findings are cited on the following pages with accompanying recommendations for corrective action. The audit results determined that there was significant non-compliance with the Accounting Procedures Manual for School Activity Funds (APM) during the period of audit.

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 Accounting Procedures Manual for School Activity Funds (APM) and the Board of Education (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 available bank statements, financial reports, cancelled checks, all voided checks and monetary transmittal form (MTF) envelopes submitted for the period November 1, 2021 to November 30, 2023. Also, available 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.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2024.01 Mismanagement of Funds Received

There were at least **47** instances of non-compliance regarding the administration of receipts. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **9** instances where funds collected by staff were not remitted timely to the recordkeeping staff for processing. Delinquent remittance of funds ranged from **4 to 79 days**. Funds in excess of \$250.00 were kept in the building overnight in 5 of the instances noted. ***This condition was noted during the previous audit for the period that ended in October 2021.***
- B. ***Inadequate Documentation:*** There were at least **2** instances where documentation to substantiate deposits was either missing or inadequate.
- C. ***Funds Collected Not Deposited:*** There was **1** instance where a purchase was made directly from proceeds collected for the PBIS sneaker ticket sales.
- D. ***Monetary Transmittal Form Logs*** – MTF logs were not maintained for FY 2022, FY 2023, and partially for FY 2024, (July 2023 – September 2023).
- E. ***End-of-Year Monetary Transmittal Form Submission Process Not Followed:*** Year-end MTFs were not returned in **32** instances during the audit period. ***This condition was noted during the previous audit for the period ended October 31, 2021.***

The following criteria is established in the APM regarding the administration of funds received:

- A. The bookkeeper is required to make timely deposits with the financial institution. Staff members are required to remit funds to the bookkeeper on the day of collection. Funds in excess of \$250.00 are also required to be deposited on the day of collection.
- B. The recordkeeping staff is required to ensure that the funds received are adequately supported by the documentation attached.
- C. A MTF log is required to be maintained by the recordkeeping staff to include a numerical list of the MTFs, the name of individuals and dates the forms were issued, the date returned to the recordkeeping staff, and the total amount of the MTF.
- D. Faculty and program managers are required to return all MTF remittances for funds collected during the school year in envelopes. with their signature affixed over the seal. MTF envelopes

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

are required to be submitted to the designated administrator before departing the school at year-end.

The following summarizes the causes of mismanagement of funds received:

- A. Staff members did not remit funds to the recordkeeping staff promptly. The principal was new to the school and did not focus on the review of cash receipt documentation to enforce accountability for timely deposits.
- B. The former recordkeeping staff misplaced the deposit slip and MTF in one instance. The former recordkeeping staff did not carefully review supporting documentation for accuracy prior to approving MTF and processing the deposit in the other instance.
- C. Reportedly, the former recordkeeping staff instructed staff to use cash on hand to pay for purchases and submit store receipts since the school was out of checks.
- D. The former recordkeeping staff indicated that the tracking log was not created as originally planned.
- E. The requirement for submission of year-end MTF remittances was not enforced by the former principals.

The following are the potential effects of the mismanagement of funds received:

- A. There is the risk of loss of funds from delinquent deposits, and when purchases are made from funds received.
- B. The audit trail for determining that all funds collected are subsequently remitted and deposited is removed in the absence of adequate financial records.
- C. There was no accountability for ensuring that the MTF log was maintained as required. Compensating evidence was removed in the absence of the MTF logs.

Recommendations: The following are recommendations to help ensure collections are properly managed:

- A. The principal should perform a periodic review of cash receipt records to identify delinquencies and hold staff members accountable for remitting funds promptly.
- B. The recordkeeping staff must implement a process for replenishing checks prior to the check stock being exhausted.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

- C. The recordkeeping staff should ensure that the MTF log is updated and maintained with all MTFs assigned and/or voided.
- D. The principal must implement procedures to ensure compliance with the APM regarding the end-of-year MTF envelope submission. The designee for collecting MTF envelopes must verify all responsible staff members return MTF envelopes as part of the year-end checkout process.

2024.02 Mismanagement of Disbursements

There were at least **19** instances of non-compliance regarding disbursements. The following indicates the instances of non-compliance:

- A. ***Missing and/or Incomplete Documentation:*** There were at least **4** instances where documentation to support expenditures (SFEFs and/or supporting documentation) was not provided for review. ***This condition was noted during the previous audit for the period that ended in October 2021.***
- B. ***Inadequate Pre-Approval for Expenditures:*** There were at least **6** instances where evidence of the principal's pre-approval was not noted prior to purchases. ***This condition was noted during the previous audit for the period that ended in October 2021.***
- C. ***Administration of Voided Checks:*** There were **9** instances where voided checks were not entered into the school's financial accounting system.

The following criteria are established in the APM:

- A. Section 4.5.3 (2) *Inclusion of Supporting Documentation* requires that all checks must have itemized documentation attached to the SFEF that supports the amount of the check.
- B. Section 4.5.3, *Cash Disbursements* requires that prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal.
- C. Section 4.5.3.4 (e), *Check Writing* requires that voided checks are entered in SFO.

The following summarizes the causes of mismanagement of funds disbursed:

- A. The former recordkeeping staff did not always ensure that all SFEFs were completed and supported prior to processing disbursements.
- B. Due diligence was not practiced ensuring that there was adequate approval of SFEFs as required. The principal did not always enforce the procedure for staff to obtain pre-approval for all purchases made during the check approval process.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

- C. The former recordkeeping staff did not always ensure that procedures were followed for entering all voided checks into SFO. The former recordkeeping was not aware that misprinted voided checks were required to be entered into SFO.

The following are the potential effects of mismanagement of funds disbursed:

- A. Evidence to substantiate expenditures is not available when supporting documentation is not maintained on file.
- B. Failure to complete the SFEF and document the principal's pre-approval could result in unauthorized purchases and impact the school's solvency.
- C. Inappropriate administration of voided checks exposes the school to check fraud through potential unauthorized negotiations.

Recommendations: The following are recommendations to help ensure disbursements are effectively managed:

- A. The principal and recordkeeping staff must implement and enforce and require retention and retrieval of all financial records.
- B. Staff members must be held accountable for completion and approval of SFEFs prior to ordering or purchasing goods or services.
- C. The recordkeeping staff should ensure that all voided checks are entered into the school's financial accounting system.

2024.03 Financial Reporting Requirements

There were **3** instances where monthly bank reconciliations were not performed reviewed timely by the former and current principals. The delinquencies ranged from **16 to 58 days**.

The APM Section *5.1.2 Monthly Reconciliation and Financial Reporting* states that the bookkeeper is required to complete the reconciliation within 7 days after receiving the statement from the bank. All financial reports should be completed by the 15th of each month and submitted to the principal for review and approval.

Reportedly, delinquent monthly bank reconciliations occurred during the period of transition between the former and current principals. The former recordkeeping staff was on leave and the receipt of a late bank statement also contributed to the delinquency.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

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

Recommendations: The principal and recordkeeping staff should implement internal controls to ensure that the monthly financial reporting process is performed in accordance with the schedule requirements included in the APM (bank reconciliation within 7 days of receiving the statement from the bank and the completion of financial reports by the 15th of each month).

2024.04 Lack of Budgeting for Clubs and Organizations

The school has clubs that conduct financial activities, including the Student Government, National Honor Society, Class Accounts, and Band. However, these clubs and organizations have not developed and submitted annual budgets to the recordkeeping staff and the Accounting and Financial Reporting Office (AFRO) as required.

The APM, Section 7.3, *Class and Club Accounts*, states that principals and teachers need to work closely with students in planning finances (budgeting) for their clubs and organizations. A copy of the club's annual budget must be provided to the school's recordkeeping staff to be submitted to the AFRO.

The principal and recordkeeping staff were not aware of the requirement for the clubs and organizations to develop and submit an annual budget to the recordkeeping staff and AFRO.

Failure to develop and submit annual club budgets constitutes non-compliance with BOE policies and procedures. Further, the lack of budgeting can lead to insolvent accounts or substandard experience for students in extracurricular activities.

Recommendations: The principal and recordkeeping staff should document and share procedures requiring club sponsors to develop and submit annual budgets at the beginning of each school year. The budgeting process should include increased communication among the sponsors, recordkeeping staff, and the principal. Final approval should be provided by the principal.

2024.05 Fundraiser Reports Not Completed

The school conducted approximately 9 clubs and organization fundraisers and 5 school-wide fundraisers for the audit period November 2021 – November 2023, but did not always prepare fundraiser requests and authorization and/or fundraiser completion reports. In addition, the annual reports summarizing fundraising activities for FY 2017 through FY 2023 were not completed to support compliance with the fundraising activities conducted.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

Administrative Procedure 5135.1, *Fundraising* requires schools to complete the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for sponsored fundraisers. Annual reports summarizing fundraising activities for all fundraisers are also required. These documents must be maintained on file for public and auditor review upon request.

Reportedly, the former recordkeeping staff did not realize that the PBIS dance and concession sales were considered fundraisers and was not aware of the Green Team fundraiser.

Failure to complete fundraisers constitutes non-compliance with BOE policies and procedures. It decreases the transparency of fundraising activities and the associated profits to interested parents and community members. It could not be readily determined whether the school's fundraisers yielded an overall profit. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available.

Recommendations: The principal must enforce the requirement for the completion of all required fundraiser-reporting documents including the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for all sponsored fundraisers held during the school year. In addition, the principal or designee should complete annual fundraising reports to summarize all fundraising activities held. Required reports must be retained for public and auditor review.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Kettering Middle School was issued for the period ended October 31, 2021. During the previous audit, the current principal and recordkeeping staff were not on staff. The current recordkeeping staff and the principal's tenure began in July 2022 and October 2023 respectively. There were **5** findings noted as a result of that audit of which **3** findings still exist and all are summarized below:

- **Records Management** – Condition partially exists. **See Finding 2024.02** regarding *Mismanagement of Funds Disbursed: Missing and/or Incomplete Documentation*.
- **Mismanagement of Funds Received** - Condition still exists. **See Finding 2024.01** regarding *Mismanagement of Funds Received: Delinquent Deposits and End of Year Monetary Transmittal Form Process*.
- **Mismanagement of Disbursements** – Condition still exists. **See Finding 2024.02** regarding *Mismanagement of Disbursements: Inadequate Pre-Approval for Expenditures*.
- **Check Signers** – Controls appear to be working.
- **Yearbook Deficit** – Controls appear to be working.

**Kettering Middle School
School Activity Funds
Internal Audit Report
For Period Ended November 30, 2023**

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office- Kettering Middle School
Response Due Date May 3, 2024

Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1. <u>2024.01</u> <u>Mismanagement of</u> <u>Funds Received</u>	<p>A. The principal should perform a periodic review of cash receipt records to identify delinquencies and hold staff members accountable for remitting funds promptly.</p> <p>B. The recordkeeping staff must implement a process for replenishing checks prior to the check stock being exhausted.</p> <p>C. The recordkeeping staff should ensure that the MTF log is updated and maintained with all MTFs assigned and/or voided.</p>	<p>A. Concur</p> <p>B. Concur</p> <p>C. Concur</p> <p>D. Concur</p>	<p>A. The principal will review the cash receipt records monthly concurrently with the monthly bank reconciliation report. Immediate corrective action will be taken for any delinquent transactions.</p> <p>B. Since the checks are packaged in sets of 250, we'll initiate a check order once we're down to the final 63 checks.</p> <p>C. The principal will hold quarterly meetings with the bookkeeper to review</p>	January 2024	Implemented

Principal Signature 

Date 5/1/2024

				secure space will be established in the principal's office to store the collected MTF records. Additionally, during pre-service week in August and mid-service week in January, we will conduct reviews of the procedures for managing MTFs.		
2. <u>2024.02</u> <u>Mismanagement of Disbursements</u>	A. The principal and recordkeeping staff must implement and enforce and require retention and retrieval of all financial records. B. Staff members must be held accountable for completion and approval of SFEFs prior to ordering or purchasing goods or services. C. The recordkeeping staff should ensure that	A. Concur B. Concur C. Concur	A. A daily record-keeping system will be implemented, ensuring that the bookkeeper maintains and retrieves financial records as required. The principal will conduct quarterly financial reviews with the bookkeeper, examining all financial records on the following dates: November 1, 2024, February 7, 2025, April 4, 2025, and June 27, 2025. B. All staff members have access to the expenditure form, and training sessions	January 2024	Implemented	

Principal Signature *S. A. Thottu*

Date 5/1/2024

		all voided checks are entered into the school's financial accounting system.		will be provided during both preservice and mid-service weeks. Additionally, instructions have been posted above the tray containing the expenditure forms, advising individuals to complete section one of the SFEF and obtain signed authorization from Principal Strother before making any orders or purchases. C. The bookkeeper will ensure proper voiding of checks in SFO, removing the check information and maintaining a voided check log stored with the voided checks folder. Voided checks will be reviewed by the principal as part of the quarterly financial check-ins with the bookkeeper, scheduled for November 1, 2024, February 7, 2025, April 4, 2025, and June 27, 2025.		
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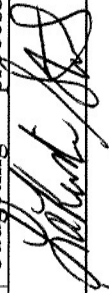
Principal Signature 

Date 5/1/2024

3.	<u>2024.03 Financial Reporting Requirements</u>	The principal and recordkeeping staff should implement internal controls to ensure that the monthly financial reporting process is performed in accordance with the schedule requirements included in the APM (bank reconciliation within 7 days of receiving the statement from the bank and the completion of financial reports by the 15 th of each month).	Concur	<p>The bookkeeper will preschedule a monthly financial meeting with the principal 2-3 days prior to the bank reconciliation report submission each month. The reconciliation report will be completed and awaiting principal signature. The following dates:</p> <ul style="list-style-type: none"> • May 13, 2024 • June 12, 2024 • July 11, 2024 • August 13, 2024 • September 12, 2024 • October 11, 2024 • November 13, 2024 • December 12, 2024 • January 13, 2025 • February 13, 2025 • March 12, 2025 • April 11, 2025 • May 13, 2025 • June 12, 2025 	April 2024	Implemented
4.	<u>2024.04 Lack of Budgeting for Clubs and Organizations</u>	The principal and recordkeeping staff should document and share procedures requiring club sponsors to develop and submit annual budgets at the beginning of each school year. The budgeting process should	Concur	<p>Beginning-of-year, midyear, and end-of-year meetings will be conducted with all club sponsors. These meetings will encompass discussions on:</p>	April 2024	Implemented

Principal Signature

Date



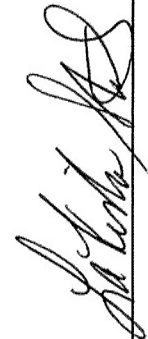
5/1/2024

	include increased communication among the sponsors, recordkeeping staff, and the principal. Final approval should be provided by the principal.		<ul style="list-style-type: none"> Account balances. Annual budget form will be completed. Fundraising goals Current needs and anticipated fundraising activities, performances, trips, or events MTF procedures <p>These meetings are scheduled for September, January, and May.</p>			Implemented
5. <u>2024.05 Fundraiser Reports Not Completed</u>	The principal must enforce the requirement for the completion of all required fundraiser-reporting documents including the Fundraiser Request and Authorization Forms and Fundraiser Completion Reports for all sponsored fundraisers held during the school year. In addition, the principal or designee should complete reports at the end of the school year to summarize fundraising activities held. Required reports must be maintained on	Concur	<p>The annual fundraiser form will be filled out and presented during the final quarterly meeting of the year, scheduled for June 27, 2025.</p> <p>Fundraiser completion forms will be included in the end-of-year closeout for all club and organization sponsor.</p> <p>All staff members have access to the Fundraiser</p>	April 2024		

Principal Signature *John H. Smith*

Date 5/1/2024

	file for public and auditor review.		request and completion forms. Instructions have been posted above the tray containing the fundraiser forms, directing individuals to complete the fundraiser request form and ensure they take the fundraiser completion form. Additionally, an email reminder will be sent one week before the close of each fundraiser.		
			<p>The bookkeeper will review all fundraising activities on a monthly basis when completing reconciliation reports and will provide updates during the monthly financial meetings.</p> <p>A fundraiser binder will be established with tabs representing each club or organization that held a fundraiser during the year.</p>		

Principal Signature 

Date 5/1/2024