

Internal Audit Report

Lamont Elementary School

School Activity Funds

For the Period Ended December 31, 2023

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For Period Ended December 31, 2023**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Lamont Elementary School for the period June 1, 2021 to December 31, 2023. Lamont Elementary 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:

- *Financial Records Not on File*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Delinquent Financial Reporting*
- *Fundraiser Reports Not Completed*
- *Vending Contract not on File*

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 Lamont Elementary School SAF, for the period ended December 31, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit Department completed an audit of the school activity funds (SAF) for Lamont Elementary School for the period June 1, 2021 to December 31, 2023. The audit was conducted as part of the annual audit plan.

The audit report includes 6 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 requirements of 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 June 1, 2021 to December 31, 2023. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. ***Certain financial records requested for review were not provided. See Finding 2024.01, Financial Records not on File.***

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 Financial Records not on File

The following financial records were not provided:

- **2** Canceled Checks
- **3** Financial Reports (Year to Date and Insolvency Reports)
- FY 2022 MTF Log

The following criteria are established in the APM:

- Section 6.12, *Record Retention*, requires the retention of financial records for 7 years and or until audited including the current fiscal year. This includes but is not limited to, financial reports, bank statements, receipts, disbursement authorities, monetary transmittal forms, school funds expenditure forms, canceled checks, and contracts.
- The APM Exhibit B *Staff Responsibility for SAF Bookkeeper/Financial Secretary* indicates that the bookkeeper or financial secretary is required to prepare and maintain all financial documents/reports in an organized fashion.
- The APM also requires that a MTF log is maintained by the recordkeeping staff that includes 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.

The former principal and former recordkeeping staff are no longer employed with PGCPs and therefore a cause could not be established for the missing canceled checks, financial report, and MTF log.

The absence of a reliable records management system affects the retrieval and accessibility of requested documentation to substantiate the school's financial transactions. The audit fieldwork was impacted by the unavailability of the requested financial records. Evidence for determining that all SAF policies and procedures were followed is negated when financial records are not available for review.

Recommendations: The principal must establish a standardized and consistent records management system, which ensures that all financial documents are retained by fiscal year and are available in the event there is turnover in the recordkeeping staff's position. The principal should complete periodic reviews of financial records to determine proper organization and retention.

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2024.02 Mismanagement of Funds Received

There were at least **14** instances of non-compliance regarding the administration of funds received at the school.

- A. ***Delinquent Deposits:*** There were at least **6** instances where the recordkeeping staff did not remit funds to the bank in a timely manner. Delinquent remittance of funds ranged from **4 to 74 days**. ***This condition was noted during the previous audit for the period that ended in May 2021.***
- B. ***Incomplete/Inaccurate Documentation:*** There were at least **5** instances where deposit documentation was incomplete or inaccurate.
- C. ***Sales Taxes Not Accessed on Items Sold:*** There were **3** instances where safety vests and t-shirts were sold to students without sales taxes being assessed as required.

The following criteria are established in the APM for administering collections:

- A. Section 4.5.2.2 (1) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF, and Preparing Bank Deposits*, requires the bookkeeper to make timely deposits with the financial institution.
- B. Section 3.2.2 *Bookkeepers/Financial Secretaries* require that the recordkeeping staff or financial secretary accurately records and reports the school's financial transactions. Staff collecting funds are responsible for completing **all** required details on the MTF, including signing and dating the form.
- C. Section 8.3 *Sales Tax Procedures* indicates that fundraisers other than dance tickets, plays, and fees are sales taxable and should be remitted to the State of Maryland.

The following summarizes the causes of mismanagement of funds received:

- A. The recordkeeping staff was not held accountable for remitting and depositing funds timely. Also, there were instances where the recordkeeping staff was not aware that funds were in the safe for deposit.
- B. The former principal did not consistently review financial reports for accuracy. Staff and recordkeeping staff were not held accountable for accurately completing documentation. The recordkeeping staff did not review the MTF for completeness prior to acceptance.
- C. The recordkeeping staff was not aware that safety vests and t-shirts were taxable.

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

- A. Internal controls are compromised and there is a risk of embezzlement or loss of funds when funds are delinquent deposited.
- B. Internal controls are compromised when documentation and financial records are not properly completed.
- C. There is the potential for assessed penalties when sales taxes are not assessed as required.

Recommendations: The following recommendations for proper management of funds received:

- A. The recordkeeping staff must be held accountable for depositing funds timely to the bank in accordance with the APM requirements.
- B. Staff and recordkeeping staff should be held accountable for completing all portions of the MTF. The recordkeeping staff should be held accountable for ensuring that the data entry and MTFs are accurate.
- C. The recordkeeping staff should review the APM Section 8.3, *Sales Tax Procedures* to understand which items are taxable and ensure that the appropriate sales tax is assessed.

2024.03 Mismanagement of Disbursements

There were at least **19** instances of non-compliance regarding the administration of disbursements.

- A. ***Inadequate Pre-Approval for Expenditures:*** There were at least **9** instances where the principal did not pre-approve SFEFs prior to purchases.
- B. ***Delinquent Reimbursement and/or Vendor Payments:*** There were at least **6** instances where reimbursements and vendor payments were not processed timely, resulting in delinquent payments ranging from **5 - 30** days.
- C. ***Transactions Not Properly Posted:*** There were at least **4** instances where funds were not posted to the correct fund account.

The following criteria are established in the APM:

- A. 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.
- B. Section 4.5.3 (2) *Inclusion of Supporting Documentation* requires reimbursements and/or invoices to be paid within 30 days of receipt.

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- C. Section 3.2.2 *Ownership, Bookkeepers/Financial Secretaries* requires the bookkeeper or financial secretary to accurately record and report the school's financial transactions. Also, Section 4.3.2 *Fund Account Procedures* states transactions should be recorded in the most specific account related to the activity.

The following summarizes the causes of mismanagement of funds disbursed:

- A. The former and current recordkeeping staff did not always perform due diligence to ensure the principal's pre-approval was affixed to SFEFs as required. The former principal did not always enforce the requirement for pre-approval of expenditures.
- B. Staff members were not aware that receipts were required to be submitted within 30 days for reimbursement.
- C. The posting errors occurred during the period prior to the recordkeeping receiving financial training from the Student Activity Fund Support Specialist.

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

- A. The lack of pre-approval by the principal could result in inappropriate and unauthorized purchases.
- B. Delinquent payment can affect the availability of funds as reported in the school's financial reports and impact the principal's ability to make fiscal decisions.
- C. Financial records are distorted when disbursements are not posted accurately. and

Recommendations: The following are recommendations for ensuring disbursements are properly managed:

- A. The principal and recordkeeping staff must implement and enforce internal controls to ensure preapproval is obtained and documented on SFEFs prior to purchases being made.
- B. The recordkeeping staff should ensure all invoices are paid in a timely manner. Reimbursements and invoices are required to be paid within 30 days of receipt or by the invoice due date. The principal must hold the staff and recordkeeping staff accountable for compliance.
- C. The recordkeeping staff should ensure that all financial transactions are accurately posted in SFO. The principal should review monthly financial reports for accuracy.

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2024.04 Delinquent Financial Reporting

There were at least **6** monthly bank reconciliations and financial reports that were not timely prepared. This resulted in untimely review by the former and current principals. The delinquencies ranged from **5 to 116 days**. The former principal did not forward the signed copy of the school's financial report to the AFRO as required in 2 of these instances.

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.

The school was without recordkeeping staff for approximately 6 months. The AFRO facilitated the preparation of the school's monthly bank reconciliations and financial reporting during this period. Per the current recordkeeping staff, the bank statements arrived late, and the former principal did not always review and sign the bank reconciliations/monthly financial reports timely.

The principal's fiscal responsibility is compromised when monthly reporting is not available and/or 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 scheduled 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). The principal should seek to be trained in performing the monthly bank reconciliation process. This will assist the process continuing when there is a vacancy in the recordkeeping staff's position.

The principal and recordkeeping staff should meet monthly to review and approve the financial reports to ensure compliance.

2024.05 Fundraiser Reports Not Completed

The former principal conducted **4** school-wide fundraisers during the audit period. The annual reports summarizing fundraising activities for FY 2022 and FY 2023 were not completed.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete annual reports summarizing fundraising activities for all school-wide fundraisers conducted during the school year. These documents must be maintained on file for public and auditor review upon request.

Neither the current recordkeeping staff nor the principal were aware of the fundraising requirements.

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Failure to complete the required fundraiser reports constitutes non-compliance with BOE policies and procedures. In addition, 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.

Recommendations: The principal or designee should complete annual fundraising reports at the end of the school year to summarize the activities of the fundraisers held. Required reports must be maintained on file for public and auditor review.

2024.06 Vending Contract Not on File

There were 2 vending machines located in the teacher's lounge with no approved vending contract.

Administrative Procedure 5135.2, *Principal's Contracting Authority*, requires the principal, as an agent of the BOE, to approve and sign all agreements and contracts entered into for all school activities. Also, the APM, Section 9.8, *Vending Machine Sales*, states, "*all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency that these commissions are remitted.*"

The recordkeeping staff indicated that she had attempted on several occasions to obtain a contract. The vending company has not been responsive to the school's requests and does not visit the school regularly to update the products in the machines. The school is currently seeking to remove the current vending machines from the premises and contract with a new vending company.

Failure to have a signed agreement with the vending company may increase the risk of inadequate maintenance of the machines and insufficient commission revenue from the vending services. Failure to have a formal contract in place constitutes non-compliance with BOE policies and procedures.

Recommendations: The principal must ensure that a current signed vending contract stipulating commissions due to the school and the frequency of these commissions is obtained and maintained on file at the school. The principal should contact Purchasing and Supply Services to identify an alternate vendor in the absence of a current signed contract.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Lamont Elementary School was issued for the period ended May 31, 2021. Neither the current principal nor the current recordkeeping staff was on staff during the previous audit. There were **3** findings noted as a result of that audit of which **1** finding still exists as summarized below:

- **Delinquent Deposits** – Condition still exists. See **Finding 2024.02** regarding *Mismanagement of Funds Received – Delinquent Deposits*.
- **Drop Safe Not Acquired to Secure Funds Awaiting Deposit** – Controls appear to be working.
- **Deficits in Restricted Fund Accounts** – Controls appear to be working.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office- Lamont Elementary 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
3.	<u>2024.03</u> <u>Mismanagement</u> <u>of Disbursements</u>	<p>A. The principal and recordkeeping staff must implement and enforce internal controls to ensure preapproval is obtained and documented on SFEFs prior to purchases being made.</p> <p>B. The recordkeeping staff should ensure all invoices are paid in a timely manner. Reimbursements and invoices are required to be paid within 30 days of receipt or by the invoice due date. The principal must hold the staff and recordkeeping staff accountable for compliance.</p> <p>C. The recordkeeping staff should ensure that all financial transactions are accurately posted in SFO. The principal should review monthly financial reports for accuracy.</p>	Concur	<p>A. The principal and recordkeeping staff will implement and enforce internal controls to ensure that the pre-approval documents are obtained and documented on SFEFs prior to purchases being made.</p> <p>B. The recordkeeping staff will ensure that all invoices are paid in a timely manner. Reimbursements and invoices will be paid within 30 days of receipt or by the invoice due date. The principal will monitor the procedure and will hold staff and recordkeeping staff accountable for compliance.</p> <p>C. The recordkeeping staff will ensure that all financial transactions are accurately posted in SFO. The principal will review</p>	April 8, 2024	Implemented

Principal Signature _____
Date _____
 May 9, 2024

				monthly financial reports for accuracy. The principal will monitor these procedures.			
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Sharon M. Albed

Principal Signature _____
May 9, 2024
Date _____