

Internal Audit Report

Thomas S. Stone Elementary
School Activity Funds

For the Period Ended June 30, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Thomas S. Stone Elementary for the period of July 1, 2018 to June 30, 2023. Thomas S. Stone Elementary'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:

- *Records Retention;*
- *Delinquent Monthly Bank Reconciliations;*
- *Administration of Funds Received and Disbursed;*
- *Annual Fundraiser Reports; and,*
- *Administration of Contracts;*

The findings 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 been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

An audit of the school activity funds (SAF) for Thomas S. Stone Elementary was completed for the period July 1, 2018 to June 30, 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 **5** findings which occurred under the leadership of the current principal. 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 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 bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2018 to June 30, 2023. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. Certain financial records requested for review were not provided. ***Refer to finding 2024.01 regarding 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2024.01 Records Retention

There were **16** instances where financial records of the school were not provided for review:

- **2** Staff Members' end-of-year MTF Envelopes
- **2** MTF Remittances (1 pink and 1 yellow)
- **4** Cancelled check images
- **8** Fund Transfer Journal Entry Proof Sheets

APM Section 6.12 *Record Retention* requires that all SAF records are 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, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, canceled checks, and contracts.

BOE policies and procedures regarding the retention of SAF records were not always followed. Staff members besides those who were designated, collected End of Year MTF envelopes at the end of the 2022. Not all MTF records were properly collected and retained due to lack of familiarity with the End of Year MTF collection process. The school did not implement an effective records management system to ensure that all financial records were secured in an organized manner and were retrievable upon request.

The absence of an effective records management system impacts the retrieval and or accessibility of requested documentation. Also, evidence for determining that internal controls for the monthly financial reporting process is not present when financial records are not available for review.

Recommendation: The principal and recordkeeping staff must establish an effective records management system where financial records are maintained in an organized manner and are retrievable upon request.

2024.02 Delinquent Monthly Bank Reconciliations

There were **2** instances where bank reconciliations were not reviewed in a timely manner by the principal. ***This condition was also noted in the previous audit as of June 30, 2018.***

According to the APM, Section 4.2.2 *Bank Account Procedures*, the bank account must be reconciled within 7 days from receipt of the bank statement. Also, Section 5.1.2 *Bank*

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Statement Reconciliation Procedures states that the monthly financial reporting process is required to be completed by the 15th day of each month.

BOE policies and procedures regarding the timely review of monthly bank reconciliations were not followed. Due to an oversight, the principal did not complete the review of the monthly reconciliation in the stated instances.

The principal's ability to promptly verify the school's solvency status and to determine whether the school's financial reports are accurately stated is impacted when monthly bank reconciliations are not reviewed timely.

Recommendation: There should be coordination between the financial secretary and principal to ensure that the monthly bank reconciliations are completed within 7 days of receiving the statement from the bank. The principal must ensure that all monthly bank reconciliations are reviewed by the 15th day of each month.

2024.03 Administration of Funds Received and Disbursed

The following deficiencies were noted with administration of funds collected and disbursed:

Monetary Transmittal Form Documentation: There were **7** instances where the monetary description on section 1 of MTFs did not match the description on section 2 of the MTFs.

Authorized Signatories: There were at least **6** instances where checks were issued without two authorized signatures.

According to APM section 4.5.2.2 (1) *Collecting Funds: Completing the Monetary Transmittal Form (MTF)*, the MTF must be entirely completed with the following information: 1) who collected the funds; 2) when funds collected; 3) from whom funds were collected; 4) the amount and form of the collection; and 5) the reason for the collection.

APM Section 4.5.3.1 (4), *Cash Disbursements Procedures – Check Writing*, requires 2 authorized signatures to be affixed on all checks.

BOE policies and procedures regarding the completion of MTF documents were not followed since the recordkeeping staff did not carefully review the MTF and supporting documents that were submitted with funds remitted.

The school was without a principal in August 2019. At this time, the school's previous acting principal and the current recordkeeping staff were the only authorized signers listed

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on the school's checking account. The acting principal was not always available to sign checks.

Internal controls regarding the collection and disbursement of funds are compromised when MTFs are not appropriately completed and when checks are issued without the required signatures. The potential for accounting errors and check fraud is increased when the receipt of funds is not properly recorded on MTFs or when the check signature requirement is not followed.

Recommendations: The current recordkeeping staff must exercise due care to ensure that,

1. MTFs are accurately documented. Specifically, documentation on sections 1 and 2 must match.
2. Checks are completed with the required number of authorized signatures.

The principal must perform periodic review of the school's financial records to ensure that the recordkeeping staff follows the requirements for administering funds.

2024.04 Annual Fundraiser Reports

The school conducted multiple school-wide fundraisers during the audit period and annual fundraiser summary reports were not provided for review. ***This condition was also noted in the previous audit as of June 30, 2018.***

Administrative Procedure 5135.1 *Fundraising* requires schools to complete annual reports summarizing fundraising activities for all school-wide fundraisers. These reports must be retained for public and auditor review upon request.

One fundraiser occurred under the leadership of the current principal, who overlooked completing an annual fundraiser summary report. A cause for the other exceptions could not be determined for fundraisers that occurred under the leadership of the previous principal.

Failure to report on fundraiser results constitutes non-compliance with BOE policies and procedures. It cannot be readily determined whether a fundraiser yielded an overall profit when annual summary reports are not available for review. Transparency of fundraising activities is reduced when the associated costs and profits are not available to interested parents and community members. Fundraiser reporting bolsters the budgeting process, which can ensure optimal performance by each fundraiser.

Recommendation: The principal must implement internal controls that establish procedures for the completion of all required fundraiser documents, including the annual

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fundraiser summary. Required reports must be maintained on file for public and auditor review.

2024.05 Administration of Contracts

The school operates **2** vending machines located in the teacher's lounge and the vending contract was not signed by the principal. A student picture fundraising activity was also held during the audit period. The school's contract for student picture services was not provided for review. ***This condition was also noted in the previous audit as of June 30, 2018.***

APM section 6.5 *Contracts* requires that contracted vendors be used for vending services and picture services. Administrative Procedure 5135.2 *Principal's Contracting Authority* states that the principal has contracting authority involving the use of SAF funds.

BOE policies and procedures regarding vending and picture contracts were not followed. A further cause for these exceptions could not be determined.

The school may not be deriving maximum benefits from the operation of vending machines or the collection of student picture commissions in the absence of adequate contract documentation. Failure to obtain contracts with vendors removes the school's ability for recourse if the vendor is not performing as expected.

Recommendations: The principal should immediately take steps to obtain a signed contract for the vending machines and for upcoming student picture fundraisers. Purchasing and Supply Services must be contacted to identify an alternate vendor if the principal is unable to secure a signed vending contract.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Thomas S. Stone Elementary was issued for the period ended June 30, 2018. The current principal was not on staff during that audit; however, the recordkeeping staff was assigned to the school during that audit. There were **7** findings noted as a result of that audit, summarized below.

- **Mismanagement of Funds Received** – Condition was not noted during this audit.
- **Mismanagement of Disbursements** – Condition was not noted during this audit.
- **Financial Reporting** – Condition still exists. See **Finding 2024.02** regarding *Delinquent Monthly Bank Reconciliations*.

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- **Fundraiser Forms** – Condition still exists. See **Finding 2024.04** regarding *Annual Fundraiser Reports*.
- **Administration of Vending Contracts** – Condition still exists. See **Finding 2024.05** regarding *Administration of Contracts*.
- **Restricted Account Deficits** – Condition was not noted during this audit.
- **Drop Safe Not on Premises/Blank Checks Not Safeguarded** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Thomas S. Stone Elementary for their cooperation and assistance extended during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office Thomas Stone ES
Response Due Date January 8, 2024


	Findings	Recommendations	Concur Non-Conc ur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented Not Implemented
1.	<u>2024.01 Records Retention</u>	The principal and recordkeeping staff must establish an effective records management system where financial records are maintained in an organized manner and are retrievable upon request.	Concur	Review the MTF process with the staff Review monthly process with bookkeeper and check for accuracy monthly	2/7/24	
2.	<u>2024.02 Delinquent Monthly Bank Reconciliations</u>	There should be coordination between the financial secretary and principal to ensure that the monthly bank reconciliations are completed within 7 days of receiving the statement from the bank. The principal must ensure that all monthly bank reconciliations are reviewed by the 15th day of each month. The current recordkeeping staff must exercise due care to ensure that, 1. MTFs are accurately documented. Specifically, documentation on sections 1 and 2 must match. 2. Checks are completed with the required number of authorized signatures. The principal must perform periodic reviews of the school's financial records to ensure that the	Partial Concur	The principal will meet with the bookkeeper to ensure that deadlines are met	2/15/24	Not Implemented
3.	<u>2024.03 Administration of Funds Received and Disbursed</u>		concur	The principal will meet with the bookkeeper to ensure MTFs are accurately completed	1/8/24	implemented



Principal Signature

Date 1-8-24

		recordkeeping staff follows the requirements for administering funds.				
4.	<u>2024.04 Annual Fundraiser Reports</u>	The principal must implement internal controls that establish procedures for the completion of all required fundraiser documents, including the annual fundraiser summary. Required reports must be maintained on file for public and auditor review.	concur	The principal will complete fundraiser reports on all school fundraisers	6/1/24	not implemented
5.	<u>2024.05 Administration of Contracts</u>	The principal should immediately take steps to obtain a signed contract for the vending machines and upcoming student picture fundraisers. Purchasing and Supply Services must be contacted to identify an alternate vendor if the principal is unable to secure a signed vending contract.	concur	The principal will meet with the bookkeeper to ensure that proper contracts are filed	1/8/24	partially implemented

Principal Signature 

Date 1-8-24