

# Internal Audit Report

## Tulip Grove Elementary School School Activity Funds

For the Period Ended February 29, 2024

**Tulip Grove Elementary School  
Internal Audit Report  
For Period Ended February 29, 2024**

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**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Tulip Grove Elementary School for the period October 1, 2020 to February 29, 2024. Tulip Grove 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:

- *Mismanagement of Disbursements*
- *Excessive Spending in Restricted Accounts*
- *Delinquent Monthly Bank Reconciliations*
- *Access to Depository Safe*
- *Inadequate Documentation of Funds Received*
- *Administration of Fund Transfers*

In our opinion, except for the deviations stated above, 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 February 29, 2024.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

Internal Audit completed an audit of the school activity funds (SAF) for Tulip Grove Elementary School for the period October 1, 2020 to February 29, 2024. The audit was conducted as part of the annual audit plan.

This audit report includes **6** findings which occurred under the leadership of the current and former 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 whether the school followed 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 selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period October 1, 2020 to February 29, 2024. Also, available receipts, disbursements and supporting documentation were reviewed for the audit period. Audit results were based on available documentation.

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**

**2024.01: Mismanagement of Disbursements**

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

- A. ***Inadequate Support for Funds Disbursed:*** There were **10** instances where the disbursements lacked adequate documentation to support funds disbursed. School Funds Expenditure Forms (SFEF) were not completed in the noted instances.
- B. ***Defacement of Voided Checks:*** There were **4** instances where voided checks were not properly defaced. Removed signature lines were stapled to the documentation.

The APM, Section 4.5.3.1 provides the following provisions pertaining to management of disbursements:

- A. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form.
- B. The signature line must be removed, and the void checks attached to the approved Void Check Proof Sheets.

The following were identified as the causes of mismanagement of disbursements:

- A. According to the recordkeeping staff, instructions were provided during a previous audit that SFEFs were not required if the disbursement was for an invoiced amount. The prior audit team did not confirm this discussion.
- B. Reportedly, the recordkeeping staff was not aware that the signature sections had to be discarded.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff when adequate support is not provided. Failure to properly void checks by removing and discarding the signature line increases financial risk to the school.

**Recommendations:** The following steps must be taken to improve the management of collections:

- 1. The recordkeeping staff must familiarize themselves with APM Section 4.5.3.1, Management of Disbursements, and to ensure that a SFEF is completed for each disbursement.

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2. The recordkeeping staff should remember to discard the removed signature line of the voided checks to reduce the risk of check fraud.

**2024.02: Excessive Spending in Restricted Fund Accounts**

The following restricted fund accounts had deficits as of February 29, 2024, which aggregated to **(\$891.89)**.

Account Number	Account Name	Amount
420.00	Field Trips	(\$604.00)
420.50	5 <sup>th</sup> Grade FT	(\$25.00)
420.70	Instrumental Music FT	(\$134.23)
445.40	Teacher of the Year Award	(\$128.66)
<b>Total</b>		<b>(\$891.89)</b>

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if account expenditures exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are always solvent.

The deficit in the Teacher of the Year account preceded the tenure of the current school administration and the cause could not be ascertained. Transportation for fieldtrips is prepaid and sometimes, not all students pay subsequently, resulting in revenue shortfalls in the fieldtrip account. Also, parents reneged on obligations to reimburse the school for musical instrument repairs which caused the deficit in the Instrumental Music account.

The risk of insolvency increases when restricted funds are overspent and or not properly managed.

**Recommendations:** The acting principal should communicate with the Accounting and Financial Reporting Office to determine a plan for resolution of the deficits. Spending from these fund accounts must cease until the deficits are resolved.

**2024.03: Delinquent Monthly Bank Reconciliations**

There were **5** instances during the audit period where the monthly bank reconciliations were not completed and reviewed timely by the recordkeeping staff and the principal. The reconciliations were delinquent between **7** and **112** days after the due dates.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled within 7 days from receipt of the bank statement.

Also, APM Section 5.1.2 requires that the monthly financial reporting be completed by the 15th day of each month and presented to the principal for review.

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There was an abrupt change in the school's leadership. The assistant principal did not receive timely authorization to perform reporting responsibilities. This period also coincided with the unplanned absence of the recordkeeping staff. Bank statements were erroneously delivered to the school's previous address when the assistant principal did not have access to online banking.

Delinquent reporting impacts 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 individual transactions may be impacted.

**Recommendations:** The current recordkeeping staff and acting principal should ensure that monthly bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. When there is an anticipated absence, coordination of the monthly bank reconciliation process should be initiated with the Accounting and Financial Reporting Office.

**2024.04: Access to Depository Safe**

The school has a depository (drop) safe to store funds remitted by staff members after normal business hours or in the recordkeeping staff's absence. However, the drop safe is in a storage room which is inaccessible to staff members. Moreover, the bookkeeper is unable to open the safe.

The APM Section 4.5.2.2 (3) *Cash Receipts Guidelines for Bank Deposits* requires each school to secure funds in a locked fireproof safe that is only accessible to the principal and bookkeeper. The safe should be bolted to the floor and placed in a location accessible to the staff.

According to the recordkeeping staff, several unsuccessful attempts were made to open the safe. The previous principal who knew how to open the safe no longer works for PGCPs.

The security of SAF is impacted in the absence of an appropriate drop safe, which can result in lost or stolen funds.

**Recommendations:** The school should explore opportunities with the manufacturer to assist in accessing the safe. The AFRO should be contacted for a solution to purchase a new depository safe.

**2024.05: Inadequate Documentation of Funds Received**

There were **2** instances where documentation to support funds deposited did not include pertinent information. The lists of students from whom funds were collected was not used to support MTFs.

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The APM Section 4.5.2.2 (3) *Completing the Monetary Transmittal Form*, the MTF must be completed entirely with the following information. 1) who collected money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.

The omission was due to the teachers' and recordkeeping staff's oversight.

Internal controls are compromised when appropriate documentation is not included to support funds remitted to the recordkeeping staff. The audit trail for determining that all funds collected are subsequently remitted and deposited is removed when adequate financial records are not maintained.

**Recommendations:** The recordkeeping staff should ensure that all funds collected are accompanied by pertinent supporting documentation such as a class list to document who the funds were received from. Staff should be held accountable for compliance.

**2024.06: Administration of Fund Transfers**

There were **13** instances where the Fund Transfer Journal Entry Proof Sheets as supporting documentation was not approved by a principal as required.

Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Evidence of approval is documented on the Fund Transfer Journal Entry Proof Sheet.

The previous principal was not available during the processing of fund transfers. The recordkeeping staff did not obtain the approval when the principal returned.

Failure to obtain approval of transfers constitutes non-compliance with BOE policies and procedures and can result in inappropriate financial transactions.

**Recommendations:** The principal must implement internal controls regarding financial reporting that ensure adherence to the requirement for approval of restricted fund transfers. The recordkeeping staff must be held accountable for compliance.



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**STATUS OF PRIOR YEAR FINDINGS**

The previous audit report for Tulip Grove Elementary School was issued for the period ended September 30, 2020. The current acting principal was not in this position at the time but the recordkeeping staff was on staff. There were **5** findings from the last audit that are all repeated as indicated below.

- **Mismanagement of Disbursements** - Condition still exists. See Finding #2024.01, *Mismanagement of Disbursements*.
- **Administration of Voided Checks** - Condition still exists. See Finding #2024.01, *Mismanagement of Disbursements*.
- **Mismanagement of Funds Received** - Condition still exists. See Finding #2024.05, *Inadequate Documentation of Funds Received*.
- **Monthly Bank Reconciliation and Financial Reporting** - Condition still exists. See Finding #2024.03, *Delinquent Monthly Bank Reconciliations*.
- **Excessive Spending in Restricted Fund Accounts** - Condition still exists. See Finding #2024.02, *Excessive Spending in Restricted Fund Accounts*.

**ACKNOWLEDGEMENT**

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

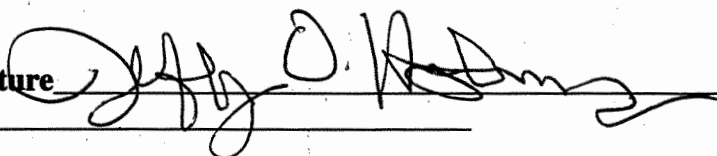
**Prince George's County Public Schools  
Internal Audit Department  
School/Office Tulip Grove Elementary School  
Response Date: June 28, 2024**

	<b>Findings</b>	<b>Recommendations</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Implemented</b>	<b>Status Partially Implemented</b>	<b>Not Implemented</b>
	<b><u>2024.01:</u> <u>Mismanagement</u> <u>of</u> <u>Disbursements</u></b>	<p>The recordkeeping staff must familiarize themselves with APM Section 4.5.3.1, Management of Disbursements, and to ensure that a SFEF is completed for each disbursement.</p> <p>The recordkeeping staff should remember to discard the removed signature line of the voided checks to reduce the risk of check fraud.</p>	<p>Book keeper has begun to complete SFEF form for each check to include invoices from approved vendors.</p> <p>All voided checks are cut at the signature line and shredded.</p>	<p>April 2024</p> <p>April 2024</p>	<p>Yes</p> <p>Yes</p>		
	<b><u>2024.02:</u> <u>Excessive</u> <u>Spending in</u> <u>Restricted</u> <u>Accounts</u></b>	The acting principal should communicate with the Accounting and Financial Reporting Office to determine a plan for resolution of the deficits. Spending from these fund accounts must cease until the deficits are resolved.	Restricted accounts that were in the negative were created by previous book keeper and principal at Tulip Grove. These negative accounts	September 2024	No		Principal will review and ask for prior year carry over to resolve deficits.

Principal/Director's Signature

Date

8/28/24



			were created SY 2018-2019. Principal will ask for prior year carry over to clear the negatives.				
	<b><u>2024.03: Delinquent: Monthly Bank Reconciliations</u></b>	The current recordkeeping staff and acting principal should ensure that monthly bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. When there is an anticipated absence, coordination of the monthly bank reconciliation process should be initiated with the Accounting and Financial Reporting Office.	Book keeper will complete all monthly reconciliations upon receiving the statement. This will be done on or before the close of business on the 15 <sup>th</sup> of every month.  If the record keeper is on leave, the reconciliation will be completed upon her return.	April 2024	Yes		
	<b><u>2024.04: Access to Depository Safe</u></b>	The school should explore opportunities with the manufacturer to assist in accessing the safe. The AFRO should be contacted for a solution to purchase a new depository safe.	A new safe is now located in an accessible area and bolted the wall. Staff that collects any funds have access.	April 2024	Yes		
	<b><u>2024.05: Inadequate Documentation of Funds Received</u></b>	The recordkeeping staff should ensure that all funds collected are accompanied by pertinent supporting documentation such as a class list to document who	Fund raising events like Spirit wear will be recorded in a spreadsheet & or class list to reflect the	August 2024	Yes	Collection of funds will have an accompanied class list to	

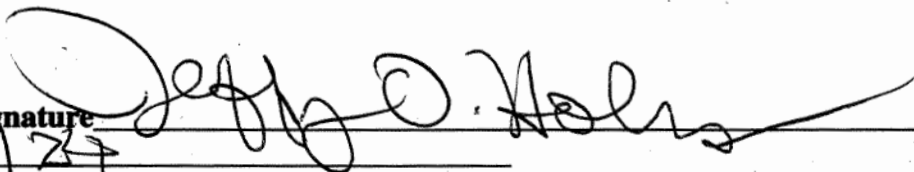
Principal/Director's Signature \_\_\_\_\_

Date \_\_\_\_\_

		the funds were received from. Staff should be held accountable for compliance.	actual order forms. This will be attached to the MTF.			indicate the amount collected and from who.	
	<b><u>2024.06:</u></b> <b><u>Administration</u></b> <b><u>of Fund</u></b> <b><u>Transfers</u></b>	The principal must implement internal controls regarding financial reporting that ensure adherence to the requirement for approval of restricted fund transfers. The recordkeeping staff must be held accountable for compliance.	Prior approval will be discussed in advance for transfers from the Principal spending line. Book keeper and Principal reviewed the 2024.06 in the SAF handbook.	August 2024	Yes		

Principal/Director's Signature

Date

  
08/28/24