

**Internal Audit Report**

**Whitehall Elementary School  
School Activity Funds**

**For the Period Ended December 31, 2023**

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Whitehall Elementary School for the period March 1, 2017 through December 31, 2023. Whitehall 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:

- *Delinquent Deposits*
- *Mismanagement of Disbursements*
- *Administration of Void Checks*
- *Administration of the School's Depository Safe*

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 December 31, 2023.



Michele Winston, CPA  
Director, Internal Audit

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## **SUMMARY**

Internal Audit completed an audit of the school activity funds (SAF) for **Whitehall Elementary School** for the period March 1, 2017 through December 31, 2023. The audit was conducted as part of the department's 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 **4** 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 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period. Also, selected 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.

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2024.01: Delinquent Deposits**

Funds collected and processed at the school were not deposited in a timely manner in **4** instances. Funds were deposited between 5 and 8 days late, in 3 instances. Funds in excess of \$250.00 were held overnight in the other instance.

The APM 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.

According to the principal, the recordkeeping staff was on leave in 2 instances. The principal was on leave and funds were left in the vault for longer than usual in the other 2 instances.

Delinquent deposits constitute noncompliance with BOE policies and procedures and increase the risk of loss to the school.

**Recommendations:** The principal and recordkeeping staff should implement internal controls to ensure that deposits are made as required in their absence. The principal should conduct periodic reviews of financial records to ensure that the requirement for timeliness of deposits is enforced.

**2024.02: Mismanagement of Disbursements**

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

- A. ***Delinquent Payments*** – There were **2** instances where payments were processed between 74 and 91 days late.
- B. ***Post-Dated Approval*** – There were **4** instances where purchases were made prior to teachers obtaining approval from the principal.
- C. ***Missing Cancelled*** - Cancelled checks were not available for review in **3** instances.

The APM provides the following guidelines for administering disbursements:

- A. Section 4.5.3.1 *Check Disbursement Procedures Payments* -Invoices should be paid within 30 days of receipt or when invoice is due whichever is sooner.

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- B. Section 4.5.3.1 *Check Disbursement Procedures, Pre-Approval by the Principal* requires, that prior to ordering or purchasing goods or services, a School Funds Expenditure Form 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. The employee can be held personally liable for the obligation if this procedure is not followed.
- C. *Section 6.12 Record Retention* - All SAF records must be 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, cancelled checks and contracts.

The following explanations were provided for the deficiencies noted:

- A. According to the principal, one delinquent payment was caused by the timing of the book fair vendor payment that could not be processed until after the school's accounting system, SFO was reopened. The second delinquent payment was for agenda books that were delivered late.
- B. The principal provided verbal approval of expenditures which resulted in delays by staff in submitting the School Funds Expenditure Forms for approval.
- C. Reportedly, the missing cancelled checks were misplaced by the recordkeeping staff due to an inadequate filing system.

Improper management of cash disbursements constitutes noncompliance with BOE policies and procedures and can adversely impact the school. Specifically:

- A. Delinquent payments could cause the school to be liable for late charges.
- B. Failure to follow the requirements for preapproving expenditures can result in inappropriate expenditures being incurred using SAF.
- C. Failure to adequately file and safeguard the school's financial records negates the audit trail required to ensure proper administration of the school financial transactions.

**Recommendations:** The following steps should be taken to improve the management of disbursements:

- A. The principal and recordkeeping staff must coordinate the school's activities and purchases to facilitate timely processing.

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- B. The principal should discontinue providing verbal approval of expenditures.
- C. The principal must oversee an effective records management system to ensure that all disbursement records are properly filed and retrievable upon request.

**2024.03 Administration of Voided Checks**

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

- A. ***Missing Documentation*** – There were **5** instances where voided checks were not available for review.
- B. ***Defacement of Voided Checks*** – There were **3** instances where the signature portion was not removed from voided checks.
- C. ***Unrecorded Checks*** – Voided checks were not posted in SFO in **2** instances.

The APM provides the following guidelines for administering voided checks:

- A. Section 6.12 *Record Retention*: All SAF records must be retained for a period of seven (7) years and or until audited including the current fiscal year.
- B. Section 4.5.3.2, *Cash Disbursements: Policies and Procedures* requires accounting for avoided check by maintaining a copy of the physical check and inscribing the word "VOID" across the face of the check. The signature portion of the check must be cut off and destroyed. The check must also be voided in the computer to keep the transaction in the system.

The missing checks documentation was voided prior to the principal and recordkeeping staff assuming their positions. Further explanation could not be provided for the voided checks that were misplaced, not entered in the accounting system or were not properly defaced.

Improper management of voided checks constitutes noncompliance with BOE policies and procedures and can increase the risk of check fraud.

**Recommendation:** The principal must review the disbursement records to ensure that internal controls regarding voiding checks are carefully followed. Attention must be given to an effective records management system to ensure that voided checks are properly safeguarded.

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**2024.04 Administration of the School's Depository Safe**

The school did not have a drop-safe to secure funds awaiting deposit. Funds remitted by staff members were kept in a lockbox before being deposited with the financial institution.

The APM Section 4.5.2.2.2, *Guidelines for Bank Deposits*, requires a depository (drop) safe for each school where only the principal and recordkeeping staff have access to the contents of the drop safe. The safe should be bolted to the floor and maintained in a location accessible to staff which will facilitate remittances of funds when the bookkeeper is not available.

Reportedly, the principal was not aware that a drop safe was required. The principal has since acknowledged the weakness and has committed to submitting a work order to address the deficiency.

Internal controls are compromised, and funds are at risk when staff members do not have access to a drop safe to secure funds collected.

**Recommendation:** The principal has since purchased a depository safe and has initiated a work order with Building Services to facilitate the installation as required by the APM. The principal should provide confirmation to Internal Audit that the safe has been installed.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Whitehall Elementary School was issued for the period ended February 28, 2017. The current principal and recordkeeping staff were not in their current positions during that audit. The previous audit report included **6** audit findings and **4** are 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 Funds Received*** - Partially resolved. ***See Finding 2024.01*** regarding *Delinquent Deposits*.
- ***Mismanagement of Disbursements*** - Partially resolved. ***See Finding 2024.02*** regarding *Mismanagement of Disbursements, Post-Dated Approval*.
- ***Administration of Voided Checks, Signature Lines not Removed*** – Not resolved. ***See Finding 2024.03*** regarding *Administration of Void Checks*.
- ***Yearend Monetary Transmittal Form Procedures Not Followed*** - This condition was not noted during the current audit.
- ***Fundraising Forms Not Completed*** – This condition was not noted in the current audit.



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- ***Insecure Location for Money Awaiting Deposit.*** Not resolved. ***See 2024.04*** regarding *Administration of the School's Depository Safe.*

**ACKNOWLEDGEMENT**

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

**Prince George's County Public Schools  
Internal Audit Department**

**School/Office- Whitehall Elementary School**

**Response Due Date June 17, 2024**

	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non-Concur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Status Implemented Partially Implemented Not Implemented</b>
<b>1.</b>	<b><u>2024.01: Delinquent Deposits</u></b>	The principal and recordkeeping staff should implement internal controls to ensure that deposits are made as required in their absence. The principal should conduct periodic reviews of financial records to ensure that the requirement for timeliness of deposits is enforced.	Concur	The Principal and Financial secretary will have weekly meetings to go over all the financial reports. The school will be using School Bucks for activities that require payments such as lunch accounts and field trips and other activities that inquire for payment. The money will go directly into the school's bank account from the families. When a deposit needs to be made, the Principal will sign off each time when a deposit is made by the FS. Deposits will be taken to the bank daily to avoid deposits being left in the secured vault in the building overnight. When the FS is not available for deposits, the Principal will make the daily deposit. The third person assigned to the account	July 1, 2024	Implemented

Principal Signature *Cynthia Farmer*

Date **August 31, 2024**

				will be notified to collect and to make the deposit the same day if the FS or Principal are not available. All deposits will be secured in the safe until the deposit is made that day.		
2.	<b><u>2024.02:</u></b> <b><u>Mismanagement of Disbursements</u></b>	<p>A. The principal and recordkeeping staff must coordinate the school's activities and purchases to facilitate timely processing.</p> <p>B. The principal should discontinue providing verbal approval of expenditures.</p> <p>C. The principal must oversee an effective records management system to ensure that all disbursement records are properly filed and retrievable upon request.</p>	Concur	<p>A. No purchases will be made during the time the checkbook is closed. Receipts must be given to the office for reimbursement no more than 5 days after purchases are made. The receipts will be processed within 48 hours of receiving the receipt by the FS.</p> <p>B. NO receipts will be honored without an approval of an expenditure form. The Principal and FS will meet each time an expenditure form is presented for approval.</p> <p>C. Weekly Financial reviews of records with the Principal and FS will take place.</p>	July 1, 2024	Implemented
3.	<b><u>Administration of Voided Checks</u></b>	The principal must review the disbursement records to ensure that internal controls regarding voiding checks are carefully followed. Attention must be given to an	Concur	All voided checks are signed off by the Principal the same day a check is voided. The check will be properly voided and placed in a binder. The binder will be	July 1, 2024	Implemented

Principal Signature *Cynthia Farmer*

Date **August 31, 2024**

		effective records management system to ensure that voided checks are properly safeguarded.		reviewed weekly during the Financial meeting with the Principal and the FS.		
4.	<b><u>2024.04</u></b> <b><u>Administration of</u></b> <b><u>the School's</u></b> <b><u>Depository Safe</u></b>	The principal has since purchased a depository safe and has initiated a work order with Building Services to facilitate the installation as required by the APM. The principal should provide confirmation to Internal Audit that the safe has been installed.	Concur	The Principal has purchased a depository box and has followed all the installation requirements with building services. The work order is attached.	May 16, 2024 Installation Date	Implemented Purchased and Installed Work Order #WO000004747 5 May 16, 2024 Installation Date

Principal Signature *Cynthia Farmer*

Date August 31, 2024