

Internal Audit Report

Arrowhead Elementary School
School Activity Funds

For the Period Ended February 29, 2024

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Arrowhead Elementary School for the period November 1, 2017, to February 29, 2024. Arrowhead 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 seven findings:

- *Delinquent Monthly Bank Reconciliations;*
- *Record Retention;*
- *Fundraiser Reports Not Completed; and,*
- *Contracts Administration*

The finding 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 mostly been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended February 29, 2024.



Janice Walters-Semple, CPA
Acting Director, Internal Audit

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SUMMARY

An audit of the school activity funds (SAF) for Arrowhead Elementary School was completed for the period November, 2017 to February 29, 2024. 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 4 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, canceled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period November 1, 2017, to February 29, 2024. Also, available receipts, disbursements, and supporting documentation were reviewed for the said period. Certain requested financial records were not available for review. (*Refer to Finding 2025.02*)

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:

2025.01 Delinquent Monthly Bank Reconciliation

There were **6** instances where monthly bank reconciliations were not completed and reviewed by the 15th of each month following the months reconciled. Delinquencies ranged from **16** to **111** days.

According to the APM Section *5.1.2 Monthly Reconciliation and Financial Reporting*, the recordkeeping staff is required to complete the reconciliation within 7 days of receiving the bank statement. All monthly reports should be completed and submitted to the principal for review and approval by the 15th of the following month.

The recordkeeping staff position was vacant for several months during the audit period. During that time, the principal relied on assistance from the Accounting and Financial Reporting Office (AFRO) to complete the school's monthly bank reconciliations and return them to the principal for review. Insufficient resources in the AFRO led to delays in assisting schools with recordkeeping staff duties i.e. timely completion of monthly bank reconciliations. A new recordkeeping staff was hired in January 2024; however, their training was still ongoing at the time of the audit.

Failure to perform the monthly bank reconciliation process promptly increases financial risk to the school. Delayed reconciliations may allow errors or fraudulent transactions to go unnoticed for an extended period.

Recommendation: The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of receiving the bank statement, and the principal's review and approval completed by the 15th of the following month). The current recordkeeping staff should ensure that financial reports are available for the principal to make fiscally responsible decisions on behalf of the school as required.

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2025.02 Record Retention

Supporting documentation to substantiate financial transactions was not available for review in the following **33** instances:

- **1** MTF Log for FY 2024
- **7** Cash Receipts Documentation (Monetary Transmittal Forms, deposit receipts)
- **2** End-of-Year MTF Envelopes (FY 2023)
- **4** Cash Disbursements Documents (SFEFs, invoices and or receipts)
- **6** Canceled Check Images
- **10** Defaced Voided Checks
- **4** Funds Transfer Journal Entry Approvals Forms (for funds transferred to or from restricted fund accounts)

According to the APM Section 6.12, *Record Retention*, All SAF financial 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, canceled checks, and contracts.

The school's recordkeeping staff position was vacant for several months during the audit period. During that period, the principal's attention was focused on both administrative and recordkeeping duties. The FY 2023 records were processed by a previous recordkeeper. These records were not made available to the principal when the previous recordkeeper departed the school.

The absence of an effective records management system resulted in BOE policies regarding the retention of SAF records not being followed

Failure to make financial records available for audits constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The principal and recordkeeping staff must ensure that an adequate filing system is established to secure the school's financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit and when there is a transition in the recordkeeping staff position. The recordkeeping staff must be held accountable for compliance.

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2025.03 Fundraiser Reports Not Completed

The school conducted **2** school-wide fundraising activities during the audit period but did not prepare fundraiser completion reports or the annual fundraising summary report.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete fundraiser completion reports for each fundraiser conducted as well as annual reports summarizing fundraising activities for all fundraisers administered for each school year. These documents must be maintained on file for public and auditor review upon request.

The principal was not aware of the requirement to complete fundraiser completion reports after finalizing each fundraiser and the annual summary report for the school-wide fundraisers held.

Failure to complete required fundraiser reports 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.

Recommendation: The principal or a designee should complete the fundraiser completion report and annual fundraising reports to summarize all fundraising activities held by the school each school year. Required reports must be retained for public and auditor review.

2025.04 Contracts Administration

The school conducted **1** school-wide fundraiser during the audit period and operated **2** staff vending machines but did not appropriately execute and retain contracts with the vendors. A Program Agreement Information form was completed for a Fun Run fundraiser activity on 1/9/2024 but was not signed by the principal. A vending machine contract was not on file for the staff vending machines.

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 principal was not aware of the requirements regarding the principal's contracting authority and administration of contracts.

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Failure to retain signed agreements with vendors or service providers may increase the risk of inadequate maintenance of the vending machines and insufficient commission revenue from vending services and fundraising activities. Failure to have formal contracts in place constitutes non-compliance with BOE policies and procedures.

Recommendation: The principal must obtain a signed contract for the vending machines currently in use at the school and ensure that a signed contract stipulating commissions due to the school and the frequency of these commissions is obtained and maintained on file at the school for future fundraiser activities and vending machine contract renewals. The principal should contact Purchasing and Supply Services to identify an alternate vendor in the absence of a current signed vending machine contract.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Arrowhead Elementary School was issued for the period ended October 31, 2017. The current principal was on staff during that audit; however, the current recordkeeping staff was not on staff during that audit. There were **3** findings noted as a result of that audit as summarized below.

- **Mismanagement of Disbursements** – Condition was not noted during this audit.
- **Administration of Checks** – Condition still exists. See **Finding 2024.02** regarding *Record Retention*.
- **Mismanagement of Funds Received** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Arrowhead Elementary School – School Activity Funds
Response Due Date: December 20, 2024

	Findings	Recommendations	Action Plan	Corrective Action Date	Implemented	<u>Status</u> Partially Implemented	Not Implemented
<u>2025.01</u> <u>Delinquent</u> <u>Monthly Bank</u> <u>Reconciliation</u>	There were 6 instances where monthly bank reconciliations were not completed and reviewed by the 15th of each month following the months reconciled. Delinquencies ranged from 16 to 111 days.	The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of receiving the bank statement, and the principal's review and approval completed by the 15 th of the following month). The current recordkeeping staff should ensure that financial reports are available for the principal to make fiscally responsible decisions on behalf of the school as required.	Due to the incompetence of my previous Secretary II, a new one was hired.	01/16/24	01/16/2024	Fully Implemented—Not One Late since new hire started	

CFO/Principal/Director's Signature: Shannon Butler

Date: July 1, 2025

<u>2025.02 Record Retention</u>	<p>Supporting documentation to substantiate financial transactions was not available for review in the following 33 instances:</p> <ul style="list-style-type: none"> ● 1 MTF Log for FY 2024 ● 7 Cash Receipts Documentation (Monetary Transmittal Forms, deposit receipts) ● 2 End-of-Year MTF Envelopes (FY 2023) ● 4 Cash Disbursements Documents (SFEFs, invoices and or receipts) ● 6 Canceled Check Images ● 10 Defaced Voided Checks ● 4 Funds Transfer Journal Entry Approvals Forms (for funds 	<p>The principal and recordkeeping staff must ensure that an adequate filing system is established to secure the school's financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit and when there is a transition in the recordkeeping staff position. The recordkeeping staff must be held accountable for compliance</p>	<p>Due to the incompetence of my previous Secretary II, a new one was hired.</p>	<p>01/16/2024</p>	<p>06/24/2024</p>	<p>Fully Implemented</p>	
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CFO/Principal/Director's Signature: Shannon Butler

Date: July 1, 2025

	transferred to or from restricted fund accounts)						
<u>2025.03 Fundraiser Reports Not Completed</u>	<p>The school conducted 2 school-wide fundraising activities during the audit period but did not prepare fundraiser completion reports or the annual fundraising summary report. Administrative Procedure 5135.1, <i>Fundraising</i> requires schools to complete fundraiser completion reports for each fundraiser conducted as well as annual reports summarizing fundraising activities for all fundraisers administered for each school year. These documents must be maintained on file for public and auditor review upon request. Failure to complete required fundraiser reports constitutes non-compliance with BOE policies and procedures.</p>	<p>The principal or a designee should complete the fundraiser completion report and annual fundraising reports to summarize all fundraising activities held by the school each school year. Required reports must be retained for public and auditor review.</p>	<p>Due to the incompetence of my previous Secretary II, a new one was hired.</p>	01/16/24	07/01/2024	Fully Implemented—Not One Late	

CFO/Principal/Director's Signature: Shannon Butler

Date: July 1, 2025

<u>2025.04</u> <u>Contracts</u> <u>Administration</u>	The school conducted 1 school-wide fundraiser during the audit period and operated 2 staff vending machines but did not appropriately execute and retain contracts with the vendors. A Program Agreement Information form was completed for a Fun Run fundraiser activity on 1/9/2024 but was not signed by the principal. A vending machine contract was not on file for the staff vending machines.	⚠ The principal must obtain a signed contract for the vending machines currently in use at the school and ensure that a signed contract stipulating commissions due to the school and the frequency of these commissions is obtained and maintained on file at the school for future fundraiser activities and vending machine contract renewals. The principal should contact Purchasing and Supply Services to identify an alternate vendor in the absence of a current signed vending machine contract.	Due to the incompetence of my previous Secretary II, a new one was hired.	01/16/24	07/01/2024	Fully Implemented—Not One Late	

CFO/Principal/Director's Signature: Shannon Butler

Date: July 1, 2025