

Internal Audit Report

Beltsville Academy School Activity Funds

For the Period Ended February 29, 2024

Beltsville Academy
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 Beltsville Academy for the period July 1, 2018 to February 29, 2024. Beltsville Academy'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 Funds Received*
- *Administration of Voided Checks*
- *Inadequate Approval of Disbursements*
- *Delinquent Monthly Bank Reconciliations*

In our opinion, the SAF referred to above, requires improvement to be 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 student activity funds (SAF) for Beltsville Academy was completed for the period July 1, 2018, through February 29, 2024. The audit was conducted as part of the annual audit plan.

This audit report includes **4** findings which occurred under the leadership of the current principal. 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 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 selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2018, to February 29, 2024. Also, available receipts, disbursements and supporting documentation were reviewed for the said period. The 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

2025.01: Mismanagement of Funds Received

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

- A. ***Monetary Transmittal Form (MTF) Logs:*** The school did not have a log of MTFs issued to and received from staff members.
- B. ***Delinquent Deposits:*** There were **3** instances where deposits were not made in a timely manner. Funds were held between **4** and **10** days before they were remitted for deposits. There was also an instance where funds of \$1,977.00 was held overnight. ***This condition was also noted in the previous audit as of June 31, 2018.***
- C. ***Inadequate Documentation for Funds Received:*** There were 3 instances where the deposits were not adequately supported. In the noted instances, ticket reports and a deposit ticket were not available to substantiate the funds collected. ***This condition was also noted in the previous audit as of June 31, 2018.***

The APM provides the following guidelines regarding administration of funds received:

- A. According to the APM, Section 4.5.2.2, ***Procedures***, MTF log is required to be maintained by the bookkeeper. It shall include a numerical list of the MTFs, the name of individuals who retrieved the MTF and dates the MTFs were issued, the date returned to the bookkeeper, and the total amount of funds collected as documented on the MTF.
- B. According to the APM, Section 4.5.2.2, ***Procedures***, all funds collected are required to be remitted to the recordkeeping staff on the day of collection. Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- C. When collecting funds, the source and amount of funds, as well as the purpose of funds, should be documented. A ticket report is an example of supporting documentation of funds collected.

The following were identified as the causes of mismanagement of funds received:

- The principal and former recordkeeping staff did not implement internal controls to ensure that the issuance and receipt of MTFs were properly monitored. Also, the current recordkeeping staff was not, as of this audit fieldwork, trained and was not aware of the requirements for establishing a MTF Log.

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- Delinquent deposits occurred during the tenure of previous recordkeeping staff's tenure; therefore, causes for the delinquencies could not be ascertained.
- The staff members were aware of the requirements for adequate documentation; however, they were not consistently held accountable for providing the required supporting documentation when funds were remitted. According to the coach, excluding the required ticket reports was an oversight.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. The audit trail for ensuring proper administration of collections was compromised. Timely identification and corrections of errors are impacted when deposits are not made promptly. Also, the potential for loss of funds increases when funds are not deposited as required. The underlying documentation to support the recorded transaction is unavailable when adequate documentation is not always provided by staff.

Recommendations: The following steps must be taken to improve the management of funds received:

- The current recordkeeping staff must create a MTF Log immediately and begin to use it to track the issuance and return of MTFs.
- The principal and current recordkeeping staff must implement internal controls to ensure that deposits are made in a timely manner. The principal must also hold staff members and the recordkeeping staff accountable for compliance with the provisions for timely deposits.
- The current recordkeeping staff must perform a thorough review of funds received along with related supporting documentation to ensure completeness prior to accepting and approving the MTF. Staff members must be reminded the requirement for adequately supporting funds collected funds and be held accountable for compliance.

2025.02: Administration of Voided Checks

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

- A. There were **6** instances where the voided checks were not entered in the accounting system. ***This condition was also noted in the previous audit as of June 31, 2018.***
- B. There were **7** voided check documentation that could not be located. ***This condition was also noted in the previous audit as of June 31, 2018.***

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- C. There were **3** instances where the signature section of voided checks were not removed and destroyed.

The APM provides the following guidelines regarding administration of voided checks:

- A. Section 3.2.2, *Bookkeepers/Financial Secretaries*, requires the recordkeeping staff or financial secretary to accurately record and report the school's financial transactions.
- B. Section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires accounting for a physical check when an error is made at the time of processing or when a check is damaged. The APM also requires that financial records are maintained for 7 years or until audited.
- C. Section 4.5.3.2 *Summary of Check Disbursement Procedures* voided checks are required to be defaced by removal of the signature and account lines.

Noncompliance relative to the administration of voided checks occurred during the tenure of previous recordkeeping staff therefore a specific cause could not be ascertained.

Inappropriate administration of voided checks is non-compliance with policies and procedures regarding voiding of checks which exposes the school to fraud, waste, and abuse of its resources.

Recommendations: The following steps must be taken to improve the management of funds received:

1. The current recordkeeping staff should be reminded of the responsibility to ensure that all checks (including voided checks) are required to be recorded in SFO.
2. The principal should ensure that all financial documents, including voided checks are maintained until they are audited as required.
3. The current recordkeeping staff should be reminded to ensure that the signature section of the voided check is removed and discarded. The recordkeeping staff must be held accountable for compliance.

2025.03: Inadequate Approval of Disbursements

There were **3** instances where staff members did not obtain the principal's approval prior to the purchase of items on behalf of the school. ***This condition was also noted in the previous audit as of June 31, 2018.***

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The APM Section 4.5.3.1, *Pre-Approval by the Principal* requires a School Funds Expenditure Form to be completed and signed by the principal prior to making a purchase on behalf of the school. The employee can be held personally liable for the obligation, if this procedure is not followed.

Staff members were made aware of this provision; however, sufficient time was not provided for approval of purchases resulting in purchases preceding the approval.

Internal controls are compromised when disbursements are not processed in accordance with the requirements of the APM. As a result, funds may not be available to pay for the cost of the expenditure and or unapproved vendors may be used. Unauthorized purchases can also lead to insolvency of the school's fund accounts.

Recommendation: Staff members should be reminded that all anticipated purchases must be approved by the principal prior to the school's funds being obligated. The recordkeeping staff and the principal should remind staff members risk of noncompliance. Staff members must be held accountable for compliance.

2025.04 Delinquent Monthly Bank Reconciliations

There were **3** instances during the audit period, where monthly bank reconciliations were not completed and reviewed timely by the recordkeeping staff and the principal. The delinquency ranged from **6 and 14** days.

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 is required to sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled within seven (7) days of receipt of the bank statement. Also, Section 5.1.2 requires the reporting process to be completed by the 15th day of each month.

The current recordkeeping staff's tenure began in February 2024. Prompt training and timely access to the accounting system was not provided to ensure that the monthly bank reconciliations were processed as required. Consequently, reporting duties were performed by the principal. Competing responsibilities resulted in delinquent bank reconciliations.

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 erroneous transactions may be impacted.

Recommendation: The principal must work with the AFRO to ensure that new recordkeeping staff is promptly trained as this will ensure that bank reconciliations are completed within 7 days of receiving the statement from the bank presented to the principal for review by the 15th day of each month.

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STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Beltsville Academy was issued for the period ended June 30, 2018. The current principal was in her position during that period. The recordkeeping staff's tenure began February 2024. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Mismanagement of Funds Received** - Condition still exists. See **Finding 2024.01** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** - Condition partially exists. See **Finding 2024.03** regarding *Inadequate Principal Approval*.
- **Administration of Voided Checks** - Condition still exists. See **Finding 2024.02** regarding *Administration of Voided Checks*.
- **Bank Reconciliation and Financial Reporting** - Condition still exists. See **Finding 2024.04** regarding *Delinquent Monthly Bank Reconciliations*.
- **Fundraiser Forms** - Condition was not noted during this audit.
- **Record Retention** - Condition still exists. See **Finding 2024.02 (B)** regarding *Administration of Voided Checks*.
- **Administration of Vending Contracts** - Condition was not noted during this audit.
- **Restricted Fund Account Deficits** - Condition was not noted during this audit
- **Sales of Competitive Foods** - Condition was not noted during this audit

ACKNOWLEDGEMENT

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




Beltsville Academy
Student Activities Funds
Appendix - Findings Timeline
February 29, 2024


AUDIT FINDINGS	Leslie Lowe, Principal	Lisseth Morales, Current Recordkeeping Staff	Karina Pacheco, Former Recordkeeping Staff (October 2020-December 2023)
2025.01: Mismanagement of Funds Received	X	X	X
2025.02: Administration of Voided Checks	X		X
2025.03: Inadequate Approval of Disbursements	X		X
2025.04: Delinquent Monthly Bank Reconciliations	X		X
Total	4	1	4

Prince George's County Public Schools
Internal Audit Department
School/Office: Beltville Academy – School Activity Funds
Response Due Date: August 26, 2024

Findings	Recommendations	Action Plan	Corrective Action Date	Implemented	Status Partially Implemented	Not Implemented
2024.01: Mismanagement of Funds Received A. The school did not have a log of MTFs issued to and received from staff members. B. There were instances where deposits were not made in a timely manner. Funds were held between days before they were remitted for deposits. There was also an instance where funds were held overnight. C. There were instances where the deposits were not adequately supported. In the noted instances, ticket reports and a deposit ticket were not available to substantiate the funds collected.	1. The current recordkeeping staff must create an MTF Log immediately and begin to use it to track the issuance and return of MTFs.	MTF log created and in use	05/01/24	XX		
	2. The principal and current recordkeeping staff must implement internal controls to ensure that deposits are made in a timely manner. The principal must also hold staff members and the recordkeeping staff accountable for compliance with the provisions for timely deposits	Deposits will be made at least every other day. Staff retrained re: holding of funds is prohibited Deadline of 1PM daily for staff to drop funds collected in drop safe.	05/01/24	XX		
	3. The current recordkeeping staff must perform a thorough	Bookkeeper and staff retrained on	05/01/24		XX	


CFO/Principal/Director's Signature 
Date 8-23-24

		review of funds received along with related supporting documentation to ensure their completeness prior to accepting and approving the MTF. Staff members must be reminded the requirement for adequately supporting funds collected funds and be held accountable for compliance.	documentation needed to support MTF. Another review for SY25 will occur in Sept 2024 to ensure all current staff are aware of MTF requirements.	09/04/24		
2025.02: Administration of Voiced Checks	A. There were instances where the voiced checks were not entered in the accounting system.	<p>1. The current recordkeeping staff should be reminded of the responsibility to ensure that all checks (including voided checks) are required to be recorded in SFO.</p> <p>2. The principal should ensure that all financial documents, including voided checks, are maintained until they are audited as required.</p> <p>3. The current recordkeeping staff should be reminded to ensure that the signature section of</p>	Bookkeeper training occurred on 4-30-24 by Katrina Greene re: voided check procedures	04/30/24	XX	
	B. There were voided checks documentation that could not be located.		Add review of voided checks to monthly financial meetings	08/14/24	XX	
	C. There were instances where the signature section of voiced checks was not removed and destroyed.		Review of removing signature section of	05/01/24	XX	

CFØ/Principal/Director's Signature 

Date 8-23-24

			the voided check is removed and discarded. The recordkeeping staff must be held accountable for compliance.	voided checks completed with bookkeeper.			
2025.03: Inadequate Approval of Disbursements	There were instances where staff members did not obtain the principal's approval prior to the purchase of items on behalf of the school.	Staff members should be reminded that all anticipated purchases must be approved by the principal prior to the school's funds being obligated. The recordkeeping staff and the principal should remind staff members risk of noncompliance. Staff members must be held accountable for compliance.	Review of requirements for staff obtaining prior approval before any purchases are made was held during staff meeting.	05/01/24	XX		
2025.04 Delinquent Monthly Bank Reconciliations	There were instances during the audit period, where monthly bank reconciliations were not completed and reviewed timely by the recordkeeping staff and the principal. The delinquency ranged from 6 to 14 days.	The principal must work with the AFRO to ensure that new recordkeeping staff is promptly trained as this will ensure that bank reconciliations are completed within 7 days of receiving the statement from the bank presented to the principal for review by the 15th day of each month.	Bookkeeper trained on 04/30/24 by Katrina Greene on timeliness of bank reconciliation to ensure completion according to requirements.	04/30/24	XX		

CFO/Principal/Director's Signature 
Date 08-23-24