

Internal Audit Report

Bowie High School

School Activity Funds

For the Period Ended April 30, 2024

**Bowie High
School Activity Funds
Internal Audit Report
For Period Ended April 30, 2024**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Bowie High School for the period January 1, 2022 to April 30, 2024. Bowie High School's principal is responsible for 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 findings:

- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Administration of End-of-Year Monetary Transmittal Form Envelope Process*
- *Improvement Needed in Management Oversight*

The findings resulted in a material 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, there is significant non-compliance with BOE policies and procedures and the APM, for Bowie High School SAF, for the period ended April 30, 2024.



Janice Walters-Semple, CPA
Acting Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Bowie High School for the period January 1, 2022 through April 30, 2024. The audit was conducted as part of the department's annual audit plan.

The 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. In addition, detailed findings 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 available bank statements, financial reports, canceled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted for the period January 1, 2022 to April 30, 2024. Also, available 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:

2025.01 Mismanagement of Funds Received

There were at least **62** instances of non-compliance regarding the administration of funds received.

- ***Delinquent Deposits:*** There were **33** instances where funds were not deposited in a timely manner. Delinquencies ranged from **1** to **19** days including 5 instance where funds in excess of \$250.00 were held overnight. ***This condition was noted during the previous audit for the period that ended December 31, 2021.***
- ***Incomplete Monetary Transmittal Forms (MTFs):*** There were **10** instances where MTFs were not appropriately completed, such as missing monetary descriptions, purposes for funds collected, or total deposit amounts.
- ***Inadequate Documentation:*** There were **7** instances where funds received did not include the names of individuals from whom funds were collected or the amount of funds collected from each individual. ***This condition was noted during the previous audit for the period that ended December 31, 2021.***
- ***Monetary Transmittal Forms Not Properly Signed:*** There were **7** instances where MTFs were not adequately signed and dated by staff.
- ***Inaccurate Records in the Accounting System:*** There were **2** instances where deposit information entered into the accounting system did not match the information listed on corresponding MTFs due to a trailing zero being added to the MTF number within the accounting system.
- ***Changes to Monetary Transmittal Forms not Initialed:*** There were **3** instances where staff did not initial changes that were made to MTFs.

The following criteria are established in the APM regarding the receipt of funds:

- APM Section 4.5.2.2 *Cash Receipts, Procedures* requires that bookkeepers make deposits of all funds received at least every other day, however, no more than \$250.00 should be kept in the building overnight. Specifically, staff members are prohibited from holding funds overnight.
- APM Section 4.5.2.2 (1) *Cash Receipts, Procedures, Collecting Funds: Completing the Monetary Transmittal Form (MTF)* requires that staff members collecting money complete an MTF and submit it to the recordkeeping staff along with the collected funds. The MTF must be entirely completed with the following information: 1) who collected funds; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for the collection.
- If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, ticket/report stubs can be used as an attachment.

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- The person collecting funds is responsible for filling in all required information, including signing and dating the form. The MTF also includes a field for the bookkeeper to sign acknowledging validation of funds remitted.
- APM Section 3.2.2 *Ownership, Bookkeepers/Financial Secretaries* requires the bookkeeper or financial secretary to accurately record and report the school's financial transactions.
- APM Section 4.5.2.2 (3) *Cash Receipts, Procedures, Preparing Bank Deposits* requires that the originator of the MTF must make any corrections by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry, and the originator must sign the correction. Errors are never to be corrected using whiteout or any other method that obscures the original value on the form.

Financial records indicate that the recordkeeping staff deposited funds promptly upon receipt. However, it was noted that school staff did not always remit funds to recordkeeping staff on the day that funds were collected. Reportedly, it was difficult to detect and enforce controls regarding the timely remittance of funds to the recordkeeping staff because the school operates on two campuses. Additionally, the recordkeeping staff reported that competing priorities result in the noted errors and inadequacies of financial records, completion of MTFs, and verification of funds collected.

Delinquent deposits constitute non-compliance with BOE policies and procedures and increases the risk of loss. In addition, funds are not immediately available for students' use when held by staff. Inadequate supporting documentation and incomplete documentation of deposit records compromise the audit trail and result in the compromise of audit evidence. Inaccurate recording of MTFs and improper documentation of changes to deposit records also reduces the assurance that receipts were recorded appropriately and in accordance with the prescribed policy.

Recommendations: The following procedures must be implemented to ensure that funds collected from students are processed as required:

1. The principal and recordkeeping staff must remind school staff members through documented communication of the specific requirements for remitting funds as noted in the APM.
2. The principal should also provide oversight to ensure that funds are remitted to the recordkeeping staff promptly.
3. School staff members must be reminded through documented communication of what documents and information are considered adequate supporting documentation for the receipt and deposit of funds.
4. Careful review of MTFs and supporting documentation must be performed by the recordkeeping staff when funds are remitted and prior to acceptance and approval of MTFs.
5. The recordkeeping staff and staff members must be held accountable for compliance.

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2025.02 Mismanagement of Disbursements

There were **25** instances of non-compliance regarding the disbursement of funds.

- ***Untimely Payments:*** There were **11** instances where payments were not remitted to vendors in a timely manner. Delinquencies ranged from **3** to **85** days. ***This condition was noted during the previous audit for the period that ended December 31, 2021.***
- ***Inadequate Pre-Approval:*** There were **5** instances where expenditures were not approved in advance. ***This condition was noted during the previous audit for the period that ended December 31, 2021.***
- ***Records Not Located:*** There were **9** instances where records to support disbursements were not located for review. This includes **7** canceled check images and **2** documents to substantiate disbursement amounts.

The following criteria are established in the APM regarding the disbursement of funds:

- APM Section 4.5.3.1 *Cash Disbursement Procedures, Payments* requires that invoices are paid within 30 days of receipt if a payment due date is not explicitly mentioned on the invoice.
- APM Section 4.5.3.1 *Cash Disbursement Procedures, Pre-Approval by the Principal* requires the School Funds Expenditure Form (SFEF) to be completed and signed by the principal prior to ordering or purchasing goods or services.
- APM Section 6.12 *General Guidance, Record Retention* requires all SAF records to 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, SFEFs, canceled checks, and contracts.

The following explanations were provided for the noncompliance with the processing of disbursements.

- Reportedly, after receiving multiple deliveries of damaged goods in the past, the school has adopted a policy of withholding payments of vendor invoices until the goods purchased by the school are received and inspected. According to the recordkeeping staff vendors will typically not re-issue or re-date the original invoice in cases where the school disputes the status or condition of goods received.
- In some instances vendor invoices were received by the school after the due date listed on the invoice.
- The noted cases where expenditures were not pre-approved occurred due to the staff members' oversight.

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- The school's bank changed from SunTrust to Truist in February 2022. SunTrust included canceled check images with each month's bank statement. This service was discontinued during the transition.
- The noted cases where disbursement supporting documents could not be located occurred due to staff oversight.

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

- Delinquent vendor payments can result in the school being liable for late payment charges.
- Failure to obtain adequate pre-approval for expenditures can result in inappropriate expenditures being incurred using the SAF.
- Failure to adequately store and safeguard financial records negates the audit trail required to ensure proper administration of the SAF.

Recommendations: The following is recommended for disbursement to be properly administered.

1. The principal and recordkeeping staff must coordinate the school's activities facilitate timely processing of vendor payments.
2. Staff must be reminded of their responsibility to seek authorization by completing a SFEF and have the principal's pre-approval affixed to the form prior to financially obligating the school. The recordkeeping staff must ensure that a pre-approved SFEF accompanies checks submitted to the principal for signature. The principal should adopt procedures that would help ensure that SFEFs are pre-approved before items are purchased.
3. The principal must oversee an effective records management system to ensure that all disbursement records are properly filed and retrievable upon request.

2025.03 Administration of the End-of-Year Monetary Transmittal Form Envelope Process

There were at least **27** instances where the End-of-Year MTF process was not appropriately followed. *This condition was noted during the previous audit for the period that ended December 31, 2021.*

- ***Unsecured MTF Remittance Copies*** – There were **16** instances where loose yellow or pink MTF remittance copies were located but were not retained within a signed and sealed MTF envelope.
- ***Staff Envelopes*** – There were at least **7** instances where staff members' MTF envelopes were not properly signed and sealed as required.
- ***Records Not Located*** – There were **4** instances where staff MTF remittance copies could not be located for review. This includes **2** instances where remittance copies could not be located within a staff member's envelope and **2** instances where a staff member's envelope could not be located.

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The APM Section 4.5.2.2.1, *Cash Receipts, Procedures, Collecting Funds: Completing the Monetary Transmittal Form (MTF)* requires that prior to departing at year-end, faculty and program managers submit the pink and yellow MTF remittances in sealed envelopes, with their signatures over the seal, to the designated administrator.

Staff members reportedly often misplaced their MTF remittances during the school year and or did not ensure that each MTF remittance was included when submitting their end-of-year MTF envelopes. When such remittances were subsequently found, staff members reportedly submitted the loose remittance copies to be stored with that year's end-of-year MTF envelopes.

A staff member retired mid-school year without announcement and their End-of-Year MTF closeout process was overlooked.

One staff member works in the Performing Arts building (separate from the main High School building) and reportedly did not function the same way an instructional staff member does. This staff member was new to their role and was not familiar with the End-of-Year MTF closeout process.

Insufficient supporting documentation compromises the audit trail and reduces the assurance that receipts were recorded appropriately and in accordance with the prescribed policy.

Recommendations: The principal or designated administrator must provide instructions to staff members regarding the year-end checkout process and ensure the proper administration of the end-of-year MTF process.

2025.04 Improvement Needed in Management Oversight

The principal did not exercise proper oversight in the administration of the SAF during the audit period. The previous audit report included **2** findings which are repeated in this audit report.

According to the APM Section 3.2.1 *Principals*, the principal acts as the fiduciary agent for the SAF. As such, responsibility for accounting, safeguarding, and managing the SAF in accordance with PGCPs policies and procedures rests solely with the principal.

The principal did not adequately implement the recommendations from the school's previous audit for the period ended December 31, 2021, and did not provide effective oversight to adequately identify and address weaknesses in the school's control environment.

Several BOE policies and procedures as established in the APM were not followed, resulting in the school's internal controls being compromised. Students are not receiving the maximum possible benefit of the resources available to them.

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Recommendations: The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. There should be consistent involvement in daily operations relating to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these **5** basic principles:

- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documents and Records;
- Limited Access to Assets; and
- Independent Checks on Performance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Bowie High School was issued for the period ended December 31, 2021. The school's principal and recordkeeping staff were in their current positions during that period. There were **2** findings noted in the previous audit, which still exist as summarized below:

- **Mismanagement of Funds Received**— Condition still exists. **See Finding 2025.01** regarding *Mismanagement of Funds Received, Delinquent Deposits and Inadequate Documentation* **and Finding 2025.03** regarding Administration of *End-of-Year MTF Process*.
- **Mismanagement of Disbursements** – Condition still exists. **See Finding 2025.02** regarding *Mismanagement of Disbursements, Untimely Payments and Inadequate Pre-Approval*

ACKNOWLEDGEMENT

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



Bowie High School
Student Activities Funds
Audit Report Appendix - Findings Timeline
April 30, 2024

AUDIT FINDINGS	Joseph Kautzer, Principal Entire Audit Period	Theresa Price, Recordkeeping Staff Entire Audit Period
2025.01 Mismanagement of Funds Received	X	X
2025.02 Mismanagement of Disbursements	X	X
2025.03 Administration of End-of-Year MTF Envelope Process	X	X
2024.04 Improvement Needed in Management Oversight	X	
Total	4	3

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

	Findings	Recommendations	Action Plan	Corrective Action Date	Implemented	Status Partially Imp.	Not Imp.
2025.01 Mismanagement of Funds Received	<p>1) <i>Delinquent Deposits:</i> There were 33 instances where funds were not deposited in a timely manner.</p> <p>2) <i>Incomplete Monetary Transmittal Forms (MTFs):</i> There were 10 instances where an MTF was not appropriately completed.</p> <p>3) <i>Inadequate Documentation:</i> There were 7 instances where funds received were not adequately supported (including MTF, class list, verified deposit slip, and SFO report).</p> <p>4) <i>MTFs Not Properly Signed:</i> There were 7 instances where MTFs were not adequately signed and dated by staff.</p> <p>5) <i>Inaccurate Records in Accounting System:</i> There were 2 instances where deposit</p>	<p>The principal and recordkeeping staff must remind school staff members through documented communication of the specific requirements for remitting funds as noted in the APFM. The principal should also provide oversight to ensure that funds are remitted to recordkeeping staff promptly. School staff members must be reminded through documented communication of what documents and information are considered adequate supporting documentation for the receipt and deposit of funds. Careful review of MTFs and supporting documentation must be performed by the recordkeeping staff when funds are remitted and prior to acceptance and approval of MTFs. Staff members must be held accountable for compliance.</p>	<p>Collections have been and will continue to be, addressed in the financial procedure memo distributed to all staff, both hard copies and electronic copies, throughout the year. Timely procedures for deposits will continue to be addressed by the Financial Tech. Supporting docs of deposits will be stressed and requested if absent from deposits.</p>	Dec. 2024 & Ongoing	X		

CFO/Principal/Director's Signature _____
Date 12/19/24



	information entered into the accounting system did not match the information listed on corresponding MTFs due to a trailing zero being added to the MTF number within the accounting system. <i>6) Changes to MTFs not Initialed:</i> There were 3 instances where staff did not initial changes that were made to an MTF.				
2025.02 Mismanagement of Disbursements	<p><i>1) Untimely Payments:</i> There were 11 instances where payments were not remitted to vendors in a timely manner.</p> <p><i>2) Inadequate Pre-Approval:</i> There were 5 instances where expenditures were not adequately approved in advance.</p> <p><i>3) Records Not Located:</i> There were 7 instances where cancelled check images and 2 instances where documents to substantiate disbursement amounts could not be located.</p>	The principal and recordkeeping staff must coordinate the school's activities and purchasing to facilitate timely processing of vendor payments. Staff must be reminded of their responsibility to seek authorization by completing an SFEF and have the principal's pre-approval prior to obligating the school financially. The bookkeeper must ensure that a pre-approved SFEF accompanies checks submitted to the principal for signature. The principal should adopt procedures that would help ensure that SFEFs are pre-approved before items are purchased. The principal must oversee an effective records management system to ensure that all disbursement records are properly filed and retrievable upon request.	Staff have been and will continue to be reminded that pre-approval of expenditures is always required. This is also addressed in the financial procedure memo and reviewed in staff mtgs. Invoices with delays are due to backordered items, incomplete deliveries, damaged deliveries, etc. and the vendor does not update the invoice date. An explanation for the delays of payments will continue to be attached to delayed payments and noted on check requests. Vendors will continue to be contacted for updated invoices.	Dec. 2024 & Ongoing	X

CFO/Principal/Director's Signature _____

Date 12/19/24



				Dec. 2024 & Ongoing	X		
2025.03 Administration of End-of-Year MTF Envelope Process	1) Unsecured MTF Remittance Copies – There were 16 instances where loose yellow or pink MTF remittance copies were located but were not retained within a signed and sealed envelope. 2) Staff Envelopes – There were at least 7 instances where staff envelopes were not properly signed and sealed. 3) Records Not Located – There were 4 instances where staff MTF remittance copies could not be located . This includes 2 instances where remittance copies could not be located within a staff member's envelope and 2 instances where a staff member's envelope could not be located.	The principal or designated administrator must provide instructions to staff members regarding the year-end checkout process and ensure the proper administration of the end-of-year MTF process.	Staff will continue to be sent a personalized detailed directional memo on MTF collection, and pre-labelled envelope, mid-year. The administrator collecting MTFs will also be instructed on collection details and requirements.				

CFO/Principal/Director's Signature _____

Date 12/19/24 _____

