

Internal Audit Report

Laurel Elementary School School Activity Funds

For the Period Ended January 31, 2024

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

Table of Contents

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY	3
OBJECTIVES.....	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS	8
ACKNOWLEDGEMENT	9

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Laurel Elementary School for the period September 1, 2017 to January 31, 2024. Laurel 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 Fund Accounts*
- *Delinquent Monthly Bank Reconciliations*
- *Inadequate Depository Safe*
- *Fund Transfer Documentation*
- *Year-end Monetary Transmittal Forms Submission*

In our opinion, except for the noted deviations, 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 January 31, 2024.



Janice Walters-Semple, CPA
Acting Director, Internal Audit

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Laurel Elementary School for the period September 1, 2017 through January 31, 2024. The audit was conducted as part of the annual audit plan.

This audit report includes **6** findings that 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 September 1, 2017 to January 31, 2024. Also, available receipts, disbursements and supporting documentation were reviewed for the said 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.

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

FINDINGS AND RECOMMENDATIONS

2024.01: Mismanagement of Disbursements

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

- A. *Inadequate Approval of Disbursements*: There were **6** instances where either the principal's authorization of disbursements was not documented, or the approval was not obtained prior to the school being obligated.
- B. *Delinquent Payment of Invoices*: There were **5** instances where payments were not remitted to vendors in a timely manner. The delinquency ranged from 14 to 121 days.

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

- A. 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.
- B. Invoices are required to be paid within 30 days of receipt or by the due date indicated on the invoice.

Reportedly, the noted instances of inadequate approval of expenditures and delinquent vendor payments occurred prior to the recordkeeping staff and principal's tenure. Therefore, an explanation for the internal control gaps could not be obtained.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Inadequate approval of expenditures can result in accounts being overspent and the school becoming insolvent. Delinquent payment of vendor invoices may result in the school being assessed charges for late fees.

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

- 1. The principal and recordkeeping staff must familiarize themselves with the APM and communicate the importance of the approval process to staff members. Staff members must be held accountable for compliance.

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

2. The principal and recordkeeping staff must ensure that controls are established to facilitate the timely payment of vendor invoices, i.e. by the due date or within 30 days of receipt.

2022.02: Excessive Spending in Restricted Fund Accounts

The following restricted fund accounts had deficits as of January 31, 2024 which aggregated to approximately **(\$6,493.76)**

Account Number	Account Name	Amount
310.00	Class Accounts	(\$25.27)
310.50	5 th Grade Activities	(\$118.78)
310.60	6 th Grade Activities	(\$498.71)
410.32	Jump Rope for Heart	(\$12.23)
420.00	Field Trips	(\$5,016.76)
430.15	CSTA MD Grant	(\$292.95)
450.20	PSA Food	(\$529.06)
Total		(\$6,493.76)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts 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 PSA Food account occurred because funds from the PSA Transfer-In account were not transferred timely. The insolvent fieldtrips account resulted from the previous recordkeeping staff's fraudulent activities; also, adequate approval of expenditures was not provided by the former principal. Causes for the remaining fund account deficits could not be ascertained since the overspending occurred prior to the current administration's tenure.

The risk of insolvency increases when spending from restricted funds accounts exceeds available funds. Funds that should be available to support students' activities are not available when overspending in restricted fund account occurs.

Recommendations: The principal should communicate with Accounting and Financial Reporting for a resolution of the carry forward deficits. The recordkeeping staff should ensure that the PSA Transfer journal entry is done timely to avoid PSA deficits. Further, all expenditures from the insolvent accounts must cease until the deficits are eliminated.

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

2024.03: Delinquent Monthly Bank Reconciliations

There were **3** 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 completed and reviewed between **32 and 93** 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 of receipt of the bank statement.

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

According to the recordkeeping staff, 2 of the delinquencies occurred while awaiting AFRO training on the reconciliation process. The remaining delinquency occurred when the recordkeeping staff position was vacant.

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 errors in financial transactions may be impacted.

Recommendations: The current recordkeeping staff and principal should implement internal controls to ensure that monthly bank reconciliations are completed as required. AFRO should be promptly contacted to obtain assistance with the reconciliation process when the recordkeeping staff position is vacant. The monthly bank reconciliation process must be completed by the 15th day of each month.

2024.04: Inadequate Depository Safe

The school has a depository (drop) safe to secure funds remitted by staff members after normal business hours or in the recordkeeping staff's absence. However, the safe is small and is not bolted to the floor as required by the APM.

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. Drop safes are required for every school. The drop safe should be bolted to the floor and placed in a location accessible to the staff.

The principal and recordkeeping staff were not aware of the requirements for having an adequate depository safe to safeguard the school's resources in the recordkeeping staff's absence.

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

The school's SAF is impacted in the absence of an appropriate drop safe or when the depository safe is not secured to the floor. The risk of loss of funds increases when SAF is not properly safeguarded.

Recommendations: The principal should coordinate with AFRO to purchase an appropriately sized depository safe to be installed at the school at a location assessable to staff members but away from public view. Maintenance Services should be contacted to ensure that the depository safe is bolted to the floor as required.

2024.05: Fund Transfer Documentation

There were **30** instances where Fund Transfer Journal Entry Proof Sheets were not available in binders to provide evidence that the principal approved the fund transfers.

The principal is required to review and approve the Fund Transfer Journal Entry Proof Sheet as evidence that the fund transfer was approved. The APM 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.

An adequate financial system was not maintained to provide retrieval of necessary fund transfer documentation. A further cause could not be determined as the transfers occurred during the tenures of two previous recordkeeping staff.

Failure to have the journal entry proof sheet removes evidence that the transfer was appropriately approved and increases the risk of fraudulent financial transactions in the school's accounting records. Further, evidence to determine the accuracy and completeness of financial transactions is negated in the absence of relevant supporting documentation.

Recommendation: The principal and recordkeeping staff must implement an effective records management system to ensure that all fund transfers are supported by the appropriate documentation and retained to provide evidence of compliance.

2024.06: Year-end Transmittal Forms Submission Process

There were **9** instances of noncompliance with the requirement for end-of-year Monetary Transmittal Forms (MTFs) submission. MTF remittances were not submitted to the principal's designee during the FY 2023 close-out process as required.

According to the APM Section 4.5.2.2 *Cash Receipts Procedures*, the pink MTF remittance is retained by the preparers of the form. The white and yellow copies are submitted to recordkeeping staff with collected funds. After approving the MTFs (yellow and white copies), the recordkeeping staff returns the yellow copy to the originator. Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

copies of the MTF remittances in sealed envelopes (with their signature over the seal) to the designated administrator.

The noncompliance occurred in FY 2023 prior to both the recordkeeping staff and principal's tenure. The reason for missing MTF remittances could not be ascertained.

The audit trail for reviewing cash receipts is compromised when the MTF submission process is not followed. As a result, internal control for ensuring that all SAF collected were subsequently deposited was weakened, and the potential for loss of assets increased.

Recommendations: The principal and recordkeeping staff must remind staff of their responsibility for submission of Year-end MTF envelopes. The recordkeeping staff should print the School Funds Online (SFO) "Receiptee History" report and provide it to the administrator responsible for collecting MTF envelopes at the end of the school year. The principal should instruct the administrator to obtain the MTF envelopes based on the SFO report. Each employee must be held accountable for appropriately returning their MTF envelope as part of the year-end checkout process. The principal or designee should ensure that the year-end MTFs remain in sealed envelopes until reviewed by Internal Audit.

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for Laurel Elementary School was issued for the period ended August 31, 2017. The current principal and the recordkeeping staff were not in their current position during that audit. The following findings were noted during the previous audit and the status is indicated below.

- **Missing Funds of \$11,491.35** - Condition was not noted during this audit.
Restitution of \$5,257.78 was received by the Treasury Office as of the date of this audit report.
- **Mismanagement of Disbursements** -Condition still exists. See **Finding 2024.01** regarding *Mismanagement of Disbursements*.
- **Mismanagement of Funds Received** - Condition was not noted during this audit.
- **Restricted Account Deficits** - Condition still exists. See **Finding #2024.02** regarding *Excessive Spending in Restricted Fund Account*.
- **Fundraiser Forms** - Condition was not noted during this audit.

**Laurel Elementary School
School Activity Funds
Internal Audit Report
For Period Ended January 31, 2024**

- **Record Retention** - Condition still exists. See **finding 2024.05** regarding *Fund Transfer Documentation* and **finding 2024.06** regarding *Year-end Monetary Transfer Forms Submission Process*.
- **Drop Safe Not on Premises** - Condition was not noted during this audit.

ACKNOWLEDGEMENT

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



Laurel Elementary School
Student Activities Funds
Appendix - Findings Timeline
31-Jan-24

AUDIT FINDINGS	Tyrone Harris, Principal	Melinda Lee, Former Principal	Monica Conway, Recordkeeping Staff
2024.01: Mismanagement of Disbursements	X	X	X
2024.02: Excessive Spending in Restricted Fund Accounts	X	X	X
2024.03: Delinquent Monthly Bank Reconciliations	X	X	X
2024.04: Inadequate Depository Safe	X	X	X
2024.05: Fund Transfer Documentation		X	
2024.06: Year-end Transmittal Forms Submission Process		X	
Total	4	6	4

Prince George's County Public Schools
Internal Audit Department
School/Office: **Laurel Elementary School – School Activity Funds**
Response Due Date: **August 5, 2024**

Findings	Recommendations	Action Plan	Corrective Action Date	Implemented	Status Partially Implemented	Not Implemented
2024.01: Mismanagement of Disbursements A. <i>Inadequate Approval of Disbursements:</i> There were 6 instances where either the principal's authorization of disbursements was not documented, or the approval was not obtained prior to the school being obligated. B. <i>Delinquent Payment of Invoices:</i> There were 5 instances where payments were not remitted to vendors in a timely manner. The delinquency ranged from 14 to 121 days.	1. The principal and recordkeeping staff must familiarize themselves with the APM and communicate the importance of the approval process to staff members. Staff members must be held accountable for compliance. 2. The principal and recordkeeping staff must ensure that controls are established to facilitate the timely payment of vendor invoices, i.e. by the due date or within 30 days of receipt.	Principal and bookkeeper reviewed the APM. Bookkeeper will prepare a deck presentation on and review it with staff during meeting in September. Principal and bookkeeper will meet.	July 2024		X	

CFO/Principal/Director's Signature

Date

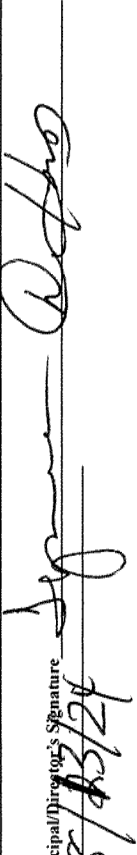
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2022.02: Excessive Spending in Restricted Fund Accounts	There were restricted fund accounts that had deficits. All restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash balance, the account is insolvent.	The principal should communicate with Accounting and Financial Reporting for a resolution of the carry forward deficits. The recordkeeping staff should ensure that the PSA Transfer journal entry is done timely to avoid PSA deficits. Further, all expenditures from the insolvent accounts must cease until the deficits are eliminated	Bookkeeper communicate with Accounting and Financials for additional guidance to resolve deficits	July 2024				X	
			Principal and bookkeeper will meet bi-weekly to review guidance and ensure staff compliance						

CFO/Principal/Director's Signature _____
Date _____

2024.03: Delinquent Monthly Bank Reconciliations	There were 3 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 completed and reviewed between 32 and 93 days after the due dates.	The current recordkeeping staff and principal should implement internal controls to ensure that monthly bank reconciliations are completed as required. AFRO should be promptly contacted to obtain assistance with the reconciliation process when the recordkeeping staff position is vacant. The monthly bank reconciliation process must be completed by the 15th day of each month.	Principal and bookkeeper will meet every month to review bank statements. The Bookkeeper will submit the bank reconciliation forms on the 10th of each month to the principal.	July 2024	X	
2024.04: Inadequate Depository Safe	The school has a depository (drop) safe to secure funds remitted by staff members after normal business hours or in the recordkeeping staff's absence. However, the safe is small and is not bolted to the floor as required by the APM. The principal and recordkeeping staff were not aware of the requirements for	The principal should coordinate with AFRO to purchase an appropriately sized depository safe to be installed at the school at a location assessable to staff members but away from public view. Maintenance Services should be contacted to ensure that the depository safe is bolted to the floor as required.	The principal will include funding from the 25-26 SY SBB to purchase a depository safe.	July 2024	X	

CFO/Principal/Director's Signature
Date 8/13/24



	having an adequate depository safe to safeguard the school's resources in the recordkeeping staff's absence.							
2024.05: Fund Transfer Documentation	There were 30 instances where Fund Transfer Journal Entry Proof Sheets were not available in binders to provide evidence that the principal approved the fund transfers.	The principal and recordkeeping staff must implement an effective records management system to ensure that all fund transfers are supported by the appropriate documentation and retained to provide evidence of compliance.	Principal and bookkeeper will meet bi-weekly to review all fund transfer and place in the binders	July 2024				
2024.06: Year-end Transmittal Forms Submission Process	There were 9 instances of noncompliance with the requirement for end-of-year Monetary Transmittal Forms (MTFs) submission. MTF remittances were not submitted to the principal's designee during the FY 2023 close-out process as required.	The principal and recordkeeping staff must remind staff of their responsibility for submission of Year-end MTF envelopes. The recordkeeping staff should print the School Funds Online (SFO) "Receipt History" report and provide it to the administrator responsible for collecting MTF envelopes at the end of the school year. The principal should instruct the administrator to obtain the MTF envelopes based on the SFO report. Each	Principal and bookkeeper will review the guidance during the September staff meeting to ensure staff understand and comply	July 2024				

CFO/Principal/Director's Signature _____
Date _____

CFO/Principal/Director's Signature _____
Date 8/13/24

