



October 6, 2022

**MEMORANDUM**

To: Kristil Fossett, Ed. D., Instructional Director  
Special Schools

From: Michele Winston, CPA, Director  
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2022

An audit of the financial records **Margaret Brent Regional School** was completed for the period July 1, 2017 through June 30, 2022. The audit indicates that the school's financial records and procedures required improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report. However, since the school permanently closed effective June 30, 2022, there is no action plan required.

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer of Schools  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Michael Herbitsman, Chief Financial Officer  
J. Michael Dougherty, Director, Financial Services  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Melissa Covington, Ed. D., Associate Superintendent  
Selena Swilling, Ed. D., Former Principal, Margaret Brent Regional School  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Joeday Newsom, Esq., Director, Board of Education Staff Office  
Janice Walters-Semple, CPA, Supervisor Internal Audit  
Alicia Robinson, Internal Auditor II

# Internal Audit Report

Margaret Brent Regional School  
School Activity Funds

**For the Period Ended June 30, 2022**

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**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Margaret Brent Regional School for the period July 1, 2017 to June 30, 2022. Margaret Brent Regional 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 findings:

- *Record Retention*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Transactions Not Properly Posted*
- *Year-End Monetary Transmittal Form Procedures Not Followed*
- *Administration of Vending Machines*

The finding 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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has not been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2022.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department has completed an audit of the school activity funds (SAF) for Margaret Brent Regional School for the period July 1, 2017, to June 30, 2022. The audit was conducted as part of the annual audit plan and due to the school's closure effective June 30, 2022.

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 6 findings that occurred under the leadership of the previous principal. The findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, the detailed finding from the current audit is cited on the following page. However, due to the school's permanent closure effective June 30, 2022, there were no recommendations noted.

**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, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2017 to June 30, 2022. 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:

**2023.01 Record Retention**

There were **8** instances of non-compliance regarding record retention. The following documents were not available for review in the instances:

- 4** Canceled Checks (FY 2019-FY 2022)
- 2** School Funds Expenditure Forms and Documentation (FY 2020)
- 2** Voided Checks (FY 2019)

The APM, Section 6.12 *General Guidance, Record Retention* states the following: *All SAF records must be retained for a period of seven (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 principal stated that even prior to COVID-19 there were issues with the mail not being delivered and the bank statement was not always received. The principal would go to the bank and obtain a copy of the bank statement but did not request copies of the canceled checks. During the audit period, the school moved twice due to structural issues at the school and some documents might have been misplaced.

The absence of an effective records management system impacts the retrieval and accessibility of requested documentation. Also, evidence for determining that internal controls for ensuring that all SAF policies and procedures were followed are removed when financial records are unavailable for review.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022.**

**2023.02 Mismanagement of Funds Received**

There were at least **12** instances of non-compliance regarding the administration of receipts. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **4** instances where funds were not remitted timely to the school's checking account. The delinquency ranged from **5** to **22** days.
- B. ***Incomplete Receipt Documentation:*** There were at least **5** instances where the recordkeeping staff did not print the School Funds Online (SFO) deposit analysis form

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indicating the fund account posted and supervisory review. Also, there was **1** instance where there was no validated deposit slip.

- C. ***Separation of Duties:*** There were **3** instances where the recordkeeping staff received check funds totaling \$2,749.32 via mail, completed the MTF, and had a staff sign and date the MTF to circumvent the segregation of duties.

The following criteria are established in the APM:

- A. The APM section 4.5.2.2 (1), (2) *Collecting Funds and Guidelines for Bank Deposits Completing the MTF*, and (3) *Preparing Bank Deposits*, require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution. Staff should ensure that the documentation is accurately stated and totals the funds remitted to the bookkeeper. The bookkeeper is required to verify that the funds received total the documentation attached to the MTF. Each MTF documentation should verify the funds remitted to the bookkeeper. After verification of funds, the bookkeeper should sign and date the MTF as the approver.
- B. The School Funds Online (SFO) User Guide page 28 *Receipts: Post Deposit* states that “*Once the deposit analysis report is previewed, it is recommended that it is always printed.*”
- C. The APM 2.2 *Exhibit A Internal Control Objectives and Principles, Segregation of Duties* states that no one person should ever be made solely responsible for maintaining records on resources that they have custody of, access to and/or authority over.

The following cause resulted from the non-compliance regarding the management of funds received:

- A. The recordkeeping staff approved the MTF the same day the staff member remitted the funds but did not go to the bank timely.
- B. The recordkeeping staff was not aware that the deposit analysis report should be printed. The missing validated deposit ticket could not be explained.
- C. The recordkeeping staff stated, “*Due to time restraints of coverage in the main office, I could only go to the bank in the morning. All checks were present at the time staff verified before signing the MTFs.*” Therefore, the recordkeeping staff processed the funds received to make the deposit timely even though it was outside her responsibilities.

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The following effect resulted from the non-compliance of management of funds received:

- A. Failure to remit funds timely constitutes a compromise of internal controls and increases the risk for loss of funds. Untimely deposits also violate the school's compliance with the APM.
- B. The recordkeeping staff was not held accountable for ensuring that the deposit analysis report was part of each deposit activity.
- C. Inadequate segregation of duties increases the potential for fraud to the school.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022.**

**2023.03 Mismanagement of Disbursements**

There were at least **10** instances of non-compliance regarding disbursements. The following indicates the instances of non-compliance:

- A. ***Lack of Documentation:*** There were at least **2** instances where there was no documentation substantiating the amount of funds disbursed and/or there was no School Funds Expenditure Form (SFEF). The following documents the instances:
  - Check #390 was issued in October 2020, totaling \$530.98 as a reimbursement to the principal for fall activity purchases. However, there was no documentation attached to the SFEF verifying the items purchased.
  - Check #385 was issued in November 2019, totaling \$97.13 to a pizza vendor for a staff-related activity. However, there was no SFEF completed.
- B. ***Delinquent Reimbursement/Payment:*** There were at least **3** instances where reimbursements and/or payments were delinquent. The delinquency ranged from **31 to 138** days. Examples of delinquency included the following:
  - The principal requested reimbursement of \$45.00 on December 16, 2019, for professional development on November 9, 2019. Check #386 was issued on December 16, 2019, resulting in delinquency of **37** days.
  - A purchase was made from a vendor totaling \$50.00 with an invoice dated July 19, 2021, but the invoice was not paid until October 4, 2021, with check #391, resulting in delinquency of **138** days.



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- C. ***Sales Taxes Reimbursed:*** There were at least **2** instances where sales taxes of **\$3.42** and **\$7.96** were reimbursed to the principal for staff and student-related purchases.
- D. ***Checking Account Signatory Authority:*** There were **3** signatories assigned to the school's checking account, the principal and two staff members other than the recordkeeping staff. The recordkeeping staff was assigned to the school in FY 2014 when the former recordkeeping staff retired. The recordkeeping staff was not included on the school's checking account at the time of hire. The current principal began in July 2017. The signatories were updated in November 2018 which included the principal and two other staff members, the guidance counselor and the aquatic teacher. The recordkeeping staff's name was not added.

Also, the guidance counselor retired effective December 31, 2020, but is still listed as a signatory on the school's checking account.

The following criteria are established in the APM:

- A. The APM Section 4.5.3, *Cash Disbursements* requires that prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The form includes space for staff to indicate the amount of funds available in the relevant account prior to the principal pre-approval. SFEF and checks should be signed as final approval of payment.
- B. The APM Section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires invoices and/or reimbursements should be paid within 30 days of receipt and have appropriate documentation.
- C. The APM Section 8.3 *Sales Tax* states that sales tax will not be reimbursed if paid when purchasing items for educational purposes.
- D. APM Exhibit B – Staff Responsibility for School Activity Funds, Principal, and AP 4180 School Bank Accounts “require the principal to ensure timely updates when signers change. The appropriate forms required by the school's bank must be completed and forwarded to the Treasury Operations Office. The Assistant Treasurer will authenticate the documents provided and forward them to the bank.”

The following summarizes the causes for the various deficiencies noted:

- A. The recordkeeping staff explained for check #390, *A receipt may have been received. However, files have been moved to two different locations last school year and it may have been misplaced.*”. Also, check #385 A SFEF should have been attached for check #385. There was no further explanation provided for the missing SFEF.
- B. The principal did not submit the invoices timely for check #386 reimbursement. Per the recordkeeping staff check #391 was issued late due to “*Margaret Brent Regional*

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*School was not receiving mail on a daily basis. The invoice was paid once received via postal mail.”*

- C. The reimbursement of sales tax was an oversight by the recordkeeping staff.
- D. Reportedly the principal and the recordkeeping staff went to the bank to change the signatory authority, but were unsuccessful.

The following effect resulted from the non-compliance of management of funds disbursed:

- A. Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school and staff.
- B. Failure to complete the SFEEF documenting the principal’s pre-approval can lead the school to an insolvent status when the principal does not authorized disbursements made by the school. Also, failure to retain supporting documentation for purchases increases the risk of inappropriate and/or non-school-related items being purchased.
- C. Delinquent reimbursements and/or payments can lead to late charges or eroding relationships with vendors that could impact students’ experiences.
- D. Payments of sales tax is a misuse of school resources.
- E. Internal controls are compromised and the risk of fraud increases when signatures are not updated on the school’s checking account for personnel who are no longer employed at the school.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022.**

**2023.04 Transactions Not Properly Posted**

There were at least **8** instances where funds were not posted to the correct account. Details for 4 incorrectly posted transactions are listed below:

- MTF #223431 was received on June 14, 2021, for funds totaling \$2,500.00 for the New Carrollton Youth Program Grant. The funds were posted to “Unrestricted Materials of Instruction” instead of “Restricted Grants.”
- MTF #223430 was received on February 27, 2020, for funds totaling \$190.00 for a basketball field trip. The funds were posted to “Unrestricted Spring Fundraiser” instead of “Restricted Field Trip.”

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- Check #386 totaling \$45.00 was issued on December 16, 2019, for reimbursement for professional development. The check was posted to “Restricted PSA Transfer-In” instead of “Unrestricted Professional Development.”
  
- Check #389 totaling \$140.48 was issued on June 8, 2020, for reimbursement for a student activity. The check was posted to “Unrestricted Spring Fundraiser” instead of Unrestricted Special Events.

The 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. Also, the APM section 4.3.2 *Fund Account Procedures* states transactions should be recorded in the most specific account related to the activity.

The recordkeeping staff stated that the grant funds were posted incorrectly because AFRO was not timely contacted to establish restricted fund accounts for the grant funds. As a result, transactions were posted to accounts where funds were available.

Financial records are distorted when receipts and disbursements are not posted accurately. Misclassified transactions impact the accuracy of the financial records, reporting and the principal’s ability to make fiscally responsible decisions.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022.**

**2023.05 Year-End Monetary Transmittal Form Procedures Not Followed**

The year-end MTF submission process was not operating as required by the policies outlined in the APM. There were 2 staff members who failed to submit their end-of-year MTF remittances for the 2019-2020 school year. There was 1 instance where a staff member’s MTF remittance (pink and yellow) copies were retained by the recordkeeping staff for the 2020-2021 school year.

Also, the recordkeeping was assigned as the principal’s designee to collect the end-of-year MTFs.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns the yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO “*Receiptee History*” Report and submit it to the designated administrator. This alerts the administrator of which MTF

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packages to expect.

Also, the APM, Exhibit B: *Staff Responsibility for School Activity Funds*, requires that the principal designate an administrator to collect, signed, sealed MTF envelopes from staff collecting money during the year. The bookkeeper should not accept year-end MTF

envelopes. Instead, direct them to the designated administrator. Staff should maintain an envelope of MTFs generated during the year, sign and seal it at the end of the school year. Staff should submit at year's end signed, sealed MTF envelopes to the designated administrator.

Due to COVID-19, there was no end-of-year close-out for the school year 2019-2020. The staff member submitted all copies of the MTF to the recordkeeping staff and the recordkeeping staff did not return the copies to the staff member upon verification of funds. Also, the principal was not aware that the recordkeeping staff should not collect and/or have access to the end-of-year MTFs.

The school's year-end MTF submission process constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised. Internal controls are compromised when the recordkeeping staff is allowed to retain the staff members' copies of the MTFs and/or collect the end-of-year MTFs.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022.**

**2023.06 Administration of Vending Machines**

There were 2 vending machines located at Margaret Brent Regional School. The following exceptions pertaining to the administration of vending machines were identified:

- There was no approved contract for FY 2021-2022. The contract was provided by the vending company, but the principal's signature was not affixed.
- There were no vending machine commissions remitted to the school after January 22, 2020. The school's last day due to COVID-19 was March 13, 2020, therefore, 2 months of commissions should have been provided to the school. Also, there were no vending commissions for FY 2021-2022 including the period July 2021 to November 2021 while the school was open.

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

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*and frequency that these commissions are remitted.”*

The vending company provided an unsigned copy of the vending contract for FY 2021-2022. Neither Purchasing and Supply Services nor the principal was able to provide a signed copy of the signed vending contract.

Failure to have a signed agreement with the vending company may increase the risk of inadequate maintenance of the machines and insufficient commission revenue from the vending machine vendor. Failure to have a formal contract in place constitutes non-compliance with BOE policies and procedures.

**Recommendation**

**There is no audit recommendation since the school closed effective June 30, 2022**

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Margaret Brent Regional School was issued for the period ended June 30, 2017. The principal was not on staff during the audit. The recordkeeping staff was on staff during that audit. There was **1** finding noted as a result of that audit and summarized below:

**Administration of Vending Machines:**

- Approved vending contracts for FY 2015 – FY 2017 could not be located – Condition still exists. **See Finding 2023.06** regarding *Administration of Vending Machines*.
- Vending commission was not remitted to the school during the audit period – Condition still exists. **See Finding 2023.06** regarding *Administration of Vending Machines*.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of Margaret Brent Regional School for their cooperation and assistance extended during the audit.