

**Board of Education of Baltimore County
Office of Internal Audit**

**Audit Report
Project #2-2020.021
August 6, 2020**



**Lyons Mill Elementary School
School Activity Fund &
Procurement Card Audit**

Distribution List:

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Incoming Principal

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Background

The Office of Internal Audit (Internal Audit) conducted an audit at Lyons Mill Elementary School due to the retirement of the school's principal.

Ms. Linda Marchineck-Macleod was appointed as principal of Lyons Mill Elementary School, effective July 1, 2020. Prior to this appointment, Ms. Marchineck-Macleod was the assistant principal at Pleasant Plains Elementary School for the past year.

Audit Objectives

Internal Audit conducted a School Activity Fund (SAF) & procurement card audit at Lyons Mill Elementary School:

- To evaluate, on a sample basis, the internal controls and compliance over SAF revenue, expenditure, and transfer transactions and accounts for the period April 1, 2019 through March 31, 2020.
- To evaluate, on a sample basis, the internal controls and compliance over procurement card transactions for the period April 1, 2019 through March 31, 2020.
- To facilitate the transfer of responsibility over the school's financial, procurement, and contractual obligations between the outgoing and incoming principals.
- To determine the school's compliance with applicable board policies, superintendent's rules, and current BCPS practice, as they relate to these transactions and accounts.

Internal Audit performed the audit by conducting interviews and examining documentation.

Summary of Results

Internal Audit identified six reportable audit findings:

1. Funds raised for student activities were not spent timely.
2. Written money handling procedures are not complete.
3. Segregation of duties was not maintained.
4. Procurement card and SAF purchases were made for prohibited activities.
5. Procurement card purchases were split to avoid the \$1000 limit.
6. Imprinted staff t-shirts were purchased from an unapproved vendor.

See pages 4 to 6 for detailed information regarding the reportable audit findings, Internal Audit's recommended corrective actions, and management's action plan.

Follow-up

Internal Audit will conduct a follow-up audit to determine if management has successfully resolved the findings identified in this audit.

Findings, Corrective Action, and Management Action Plan

Finding	Corrective Action	Management Action Plan	Target Date
<p>1. Fifteen of the 19 accounts reviewed, with a combined balance of \$7,337.32, had little or no activity during the audit period. See Appendix A on page 8 for detail of the 15 accounts.</p>	<p>The current principal must develop a plan to spend these funds in accordance with their intended purpose.</p> <p>The current principal must review the SAF general ledger accounts at least once a year for inactivity.</p>	<p>See Appendix A on page 8 for the Management Action Plan for Finding #1.</p> <p>The principal will review the SAF general ledger accounts monthly for inactivity.</p>	<p>7/31/2020</p> <p>On-going</p>

Finding	Corrective Action	Management Action Plan	Target Date
<p>2. The written money handling procedures in use at the school do not include all the elements recommended by the Office of Accounting. The procedures do not include:</p> <ul style="list-style-type: none"> a) What to do with funds collected during after-school hours. b) Donations should be for the benefit of the schools and students. c) Donations should be maintained in separate accounts. d) School should request written documentation from the donor describing the intended use of donations. e) PTA/Boosters Clubs and their relationship with the school and financial responsibility. 	<p>The current principal must ensure that the school's money handling procedures are updated to include all the recommended elements and communicate the updates to all sponsors.</p>	<p>The attached money handling procedures have been updated to include the missing elements.</p> <p>The money handling procedures will be added to the faculty handbook and will be shared with all staff during teacher duty week. All instructional staff will sign a sign-in sheet acknowledging that they have been informed of the revised money handling procedures.</p> <p>The 12- month administrative secretary will attend new bookkeeper training.</p> <p>The 10-month secretary/back-up bookkeeper will attend the back-up bookkeeper training.</p>	<p>7/31/2020</p> <p>9/30/2020</p> <p>As soon as training is available but no later than 8/30/2020</p> <p>As soon as training is available but no later than 12/23/2020</p>
<p>3. The administrative secretary is the sponsor for the BCPS One Card ID Payable Account. During FY20, the administrative secretary collected, receipted and recorded funds that totaled \$165.00 for this account.</p>	<p>The current principal must ensure that the administrative secretary does not collect funds.</p>	<p>The 10-month administrative secretary will collect, receipt and record funds for the BCPS One Card ID Payable Account. The administrative secretary will not directly collect funds for any reason.</p>	<p>7/31/2020</p>

Finding	Corrective Action	Management Action Plan	Target Date
<p>4. Twelve procurement card and SAF expenditures, which totaled \$2,935.24, were made for prohibited activities. Food and gift purchases were made for teacher appreciation and end-of-year celebrations during FY19. These activities were not held for a business purpose or to further the school system's goals. See Appendix B on page 9 for detail of the 12 transactions.</p>	<p>The current principal must ensure that operating and school activity funds are not used to purchase food and gifts for staff members for non-business related purposes. All school activity expenditures must contribute directly or indirectly to the educational program of the students.</p> <p>Additionally, the current principal must ensure that all food purchases for staff members meet the Food Purchase Parameters.</p>	<p>The principal will meet with the bookkeeper weekly to review and approve all purchases. The principal will ensure that operating and school activity funds are not used to purchase food and gifts for staff members for non-business related purposes. The principal will ensure all school activity expenditures contribute directly or indirectly to the educational program of the students.</p> <p>A statement regarding purchasing food and gifts for the staff was added to the money handling procedures and will be shared with all staff.</p>	<p>On-going</p> <p>7/31/2020</p>
<p>5. A procurement card purchase from The Book Rack, which totaled \$2,354.35, was split into three transactions over a three business day period to avoid the \$1,000 transaction limit.</p>	<p>The current principal must ensure that all purchases comply with the established purchasing procedures. The on-line catalog must be used when applicable and all purchases requiring a purchase order must be initiated in sufficient time to be properly processed by the Office of Purchasing.</p>	<p>The principal will ensure all purchases comply with the established purchasing procedures. Procurement card purchases will not be split to avoid the \$1000 limit. The on-line catalog will be used when applicable and all purchases requiring a purchase order will be initiated in enough time to be properly processed by the Office of Purchasing.</p>	<p>7/31/2020</p>

Finding	Corrective Action	Management Action Plan	Target Date
<p>6. A teacher purchased imprinted staff T-shirts from an unapproved vendor (Amazon) for a school reading event and requested reimbursement from a fundraiser account that was intended to pay for a 1st grade field trip¹.</p>	<p>The current principal must ensure that:</p> <ul style="list-style-type: none"> a) An approved vendor is used for all school purchases. Staff must be reminded that Amazon is not an approved BCPS vendor. b) Funds raised by students must be used for their advertised and intended purpose. 	<p>The principal will meet with the bookkeeper weekly to review and approve all purchases. The administrative secretary will ensure that an approved vendor is used for all school purchases. Staff will be reminded that Amazon is not an approved BCPS vendor. The principal will ensure all school activity expenditures contribute directly or indirectly to the educational program of the students.</p> <p>Additionally, the following statement was added to the money handling procedures: Funds raised by students will be used for their advertised and intended purpose.</p>	<p>On-going</p> <p>7/31/2020</p>

¹ Due to the COVID-19 closure, the teacher had not yet been reimbursed with a school check. The teacher’s reimbursement check was processed for payment in July 2020 through the Office of Accounting and the expenditure will be posted to the SAF Discretionary account. The reimbursement for this purchase occurred outside of our audit period; however, during our follow-up audit, Internal Audit will review expenditures for prohibited purchases per finding #4.

Appendix A

	Account Name	Balance (as of 5/31/20)	Management Action Plan
Accounts with Little or No Spending Activity			
1	Spirit Wear - Students	\$214.91	6/23/2020 transferred to general acct.
2	Spirit Wear - Staff	28.30	6/23/2020 transferred to general acct.
3	Donation – Vex	446.28	6/23/2020 transferred to VEX Robotics Club
4	Music - Vocal	(102.91)	6/23/2020 acct. cleared using discretionary acct.
5	Physical Education	30.63	6/26/2020 Fundraiser Fall Fun Run & Bicycle Program were added to this account. Funds in the P.E. account will be spent on equipment for the physical education department by 5/1/2021.
6	STEM	376.17	6/23/2020 transferred to general acct.
7	STEM - Expo	449.79	6/23/2020 transferred to general acct.
8	Fundraiser - Vex	575.00	6/23/2020 transferred to VEX Robotics Club
9	Fundraiser – Fall Fun Run	1,889.81	6/29/2020 transferred to PE acct.
10	Student Council	213.37	6/23/2020 transferred to general acct.
11	Yearbook	928.14	6/23/2020 transferred to general acct.
12	SLIME Club	140.50	6/23/2020 transferred to general acct.
13	Vex Robotics Club	100.00	6/23/2020 VEX donations & fundraisers were added to this account. VEX robotics funds will be spent on materials and/or entrance fees for the VEX robotics tournaments by 5/1/2021.
14	Bicycle Program	1,926.11	6/26/2020 transferred to PE acct.
15	MESA	121.22	6/23/2020 transferred to general acct.
	Total - Little or No Spending	\$ 7,337.32	

Appendix B

	Vendor	Date of Purchase	Amount of Purchase	Type of Purchase	Purchase Description
Prohibited Purchases					
1	4imprint	4/24/19	\$1,163.61	SAF Check #2288	Gifts for staff (cups/umbrellas), teacher appreciation
2	Samantha Maile	5/10/19	\$ 289.74	SAF Check #2293	Reimbursement for food, teacher appreciation
3	David Chu's China	5/13/19	\$ 32.35	Procurement Card	Lunch for Lauren's office, teacher appreciation
4	Mama Leah's Pizza	5/14/19	\$ 15.60	Procurement Card	Food for staff, teacher appreciation
5	Dragon Best	5/14/19	\$ 638.50	SAF Check #2295	Food for staff, teacher appreciation
6	Samantha Maile	5/14/19	\$ 53.35	SAF Check #2296	Reimbursement for supplies, teacher appreciation
7	David Chu's China	5/16/19	\$ 43.55	Procurement Card	Lunch for Lauren's office, teacher appreciation
8	Stephanie Vaughn	5/17/19	\$ 38.57	SAF Check #2298	Reimbursement for food, teacher appreciation
9	Raven Pizza	5/17/19	\$ 220.70	SAF Check #2299	Food for staff, teacher appreciation
10	Lauren Sager	6/12/19	\$ 42.61	SAF Check #2315	Reimbursement for food, teacher appreciation
11	Lauren Sager	6/12/19	\$ 84.95	SAF Check #2316	Reimbursement for food, teacher appreciation
12	Panera	6/12/19	\$ 311.71	SAF Check #2317	Food, end-of-year celebration
	Total – Prohibited Purchases		\$ 2,935.24		