



DOGWOOD ELEMENTARY SCHOOL
SAF & P-CARD AUDIT
OCTOBER 1, 2021

Board of Education of Baltimore County Public Schools
Office of Internal Audit

A School Activity Fund (SAF) & procurement card (p-card) audit was completed at Dogwood Elementary School due to the resignation of the outgoing principal.

Refer to Exhibit A for the report distribution list.

BACKGROUND

School Name	Dogwood Elementary
Outgoing Principal/Length of Tenure at Dogwood Elementary	Ms. Johari Toe/5 years
Incoming Principal's Previous School/Length of Tenure	Powhatan Elementary School/8 years
Administrative Secretary's Length of Tenure at Dogood ES	8 years
Reason for Change	Resignation

AUDIT OBJECTIVE

To determine Dogwood Elementary School's compliance with applicable board policies, superintendent's rules, and current BCPS practice related to School Activity Fund (SAF) revenue, expenditure, and transfer transactions and procurement card activity.

AUDIT PERIOD

SAF: January 1, 2018 through May 31, 2021.

P-Card: January 9, 2018 through May 31, 2021.

SUMMARY OF RESULTS

Internal Audit identified 14 reportable audit findings:

1. Segregation of duties for the collection and receipt of school funds was not maintained.
2. SAF funds were lost because reimbursement from Title I was not requested.
3. Written money handling procedures do not include required elements.
4. Money envelopes were not used and/or retained.
5. Funds were not submitted and/or receipted promptly.
6. Deposit records were not retained.
7. SAF expenditure documentation was not adequate.
8. SAF expenditures were for prohibited activities.
9. SAF checks were signed by the administrative secretary on a non-urgent basis.
10. SAF checks were not voided properly or did not have the required documentation.
11. SAF transfer documentation was not retained.
12. Procurement card documentation was not retained, authorized or adequate.
13. Procurement card activity reports were not completed for months with \$0 activity.
14. Sales tax was paid for school-related procurement card purchases.

See pages 2 to 17 for detailed information regarding the reportable audit findings, Internal Audit's recommended corrective actions, and management's action plan.

AUDIT RATING

Based on the number and nature of the audit results we issued an overall audit rating of **UNSATISFACTORY** for Dogwood Elementary School. An unsatisfactory rating indicates that the school's processes don't mitigate the potential risks identified and are seriously flawed in design or operation.

FOLLOW-UP

Internal Audit will conduct a follow-up audit to determine if the principal successfully implemented her corrective action plan to mitigate, reduce, and eliminate the potential risks identified.

Results

Finding #1: Segregation of duties for the collection and receipt of school funds was not maintained.

Finding:	The administrative secretary, who is responsible to receipt, deposit, and record revenue transactions, received cash and money orders directly for fundraisers at the school without prior verification of the amounts collected. The total amount received for these fundraisers was \$7,753.88 in FY 2019 and \$8,795.20 in FY 2020.
Corrective Action:	<p>The principal must ensure that:</p> <ul style="list-style-type: none"> • segregation of duties is maintained related to the collection, receipt, and deposit of school funds. <p>The administrative secretary must:</p> <ul style="list-style-type: none"> • only collect or receipt funds that have been counted and documented on a money envelope or cash collection form by another individual first. • receipts must be written to the individual who collects and counts the funds.
Potential Risk(s):	When segregation of duties is not maintained, there is a potential for: <ul style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
Management Action Plan:	The principal will ensure that segregation of duties is maintained. The administrative secretary will only accept funds that have been received, counted, and documented by others. Written receipts will be provided to the individuals who collected and counted the funds.
Target Date of Completion:	Immediately

Finding #2: SAF funds were lost because reimbursement from Title I was not requested.

Finding:	Title I reimbursements that totaled \$519.74 were not reimbursed and therefore equate to a loss of SAF.
Corrective Action:	The principal and administrative secretary must ensure that Title I reimbursements are requested timely.
Potential Risk(s):	When reimbursement is not requested timely, there is a potential for: <ul style="list-style-type: none"> a. a loss of available SAF funds for other intended school priorities. b. funds in the Title I budget not being available.
Management Action Plan:	Requests for reimbursement by individuals spending Title I funds will be submitted within 3 business days of funds being expended. Requests for reimbursement to the school from Title I will be submitted to accounting monthly.
Target Date of Completion:	Immediately

Finding #3: Written money handling procedures do not include required elements.

<p>Finding:</p>	<p>The written money handling procedures in use at the school do not include all of the elements recommended by the Office of Accounting. They do not include procedures related to:</p> <ol style="list-style-type: none"> 1. Revenue <ol style="list-style-type: none"> a. The back-up bookkeeper should receipt and deposit funds when the bookkeeper is not available. 2. Expenditures <ol style="list-style-type: none"> a. Expenditures must be pre-approved by the principal. b. A check voucher and original invoice/receipt must be provided by the requestor. c. Specific procedures must be used when an individual is hired to perform a service. d. The BCPS tax exempt card must be used for purchases that benefit the school. 3. Field Trips <ol style="list-style-type: none"> a. How to use the field trip planning form to properly price a field trip. b. How to handle excess field trip funds. c. What to do if a field trip is cancelled. 4. Fundraising <ol style="list-style-type: none"> a. How to use the Fund Raiser Data Form to properly plan and obtain approval for a fund raiser. b. Use of funds/profits in the current year. 5. Selling Items <ol style="list-style-type: none"> a. The collection of sales tax on applicable sales for remittance. b. Inventory of unsold items at year-end. 6. General SAF <ol style="list-style-type: none"> a. Account history reports must be distributed monthly to teachers/account sponsors. b. Teachers/account sponsors must be provided access to view financial data in SFO. c. Teachers/account sponsors must turn in financial documentation at the end of the school year d. Funds must not be co-mingled with SAF or be handled by BCPS staff.
<p>Corrective Action:</p>	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • the school's money handling procedures are updated to include all recommended elements. • the suggested money handling procedure training in Schoology is completed. • staff is made aware of proper cash handling procedures.
<p>Potential Risk(s):</p>	<p>When money handling procedures do not have the required elements, there is a potential for:</p> <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports.

	c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
Management Action Plan:	The principal will revise and re-share the money handling procedures.
Target Date of Completion:	By October 4, 2021

Finding #4: Money envelopes were not used and/or retained.

Finding:	For 17 of the 60 revenue transactions reviewed, a money envelope was not available to support the amount remitted by the sponsor.
Corrective Action:	The principal and administrative secretary must ensure that: <ul style="list-style-type: none">• money envelopes are used and completed by sponsors for all remittances.• money envelopes are turned in to the administrative secretary at year-end for retention.
Potential Risk(s):	When money envelopes are not used or retained, there is a potential for: <ol style="list-style-type: none">a. increased processing errors.b. misstated financial reports.c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
Management Action Plan:	The administrative secretary will provide, collect, and maintain all money envelopes. The principal will ensure the use, collection, and maintenance of the money envelopes.
Target Date of Completion:	By November, 2021

Finding #5: Funds were not submitted and/or receipted promptly.

Finding:	<p>Receipts for 25 of the 43 revenue transactions available for review, were not submitted and/or receipted promptly. There was a delay of 2 to 57 business days between the date indicated on the sponsor's money envelope and the date on the BCPS receipt.</p> <p>In addition, funds were deposited into the bank prior to recording the associated receipts to the general ledger.</p>
Corrective Action:	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • funds are submitted and receipted without delay. • all sponsors are aware of the proper procedures related to the collection and remittance of funds. • funds are receipted prior to being deposited. • funds must be receipted within one business day of remittance and deposited within one business day of receipt.
Potential Risk(s):	<p>When funds are not submitted and/or receipted promptly, there is a potential for:</p> <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity, such as a lapping scheme, that could result in misappropriation of assets and loss of student funds. d. theft of cash.
Management Action Plan:	<p>The principal will ensure that funds are submitted promptly, receipted prior to deposit, and deposited within one business day of receipt.</p>
Target Date of Completion:	<p>Immediately</p>

Finding #6: Deposit records were not retained.

Finding:	For 11 of the 60 revenue transactions reviewed, a validated deposit slip/bank statement was not available to support the deposit.
Corrective Action:	The principal and administrative secretary must ensure that deposit documentation is retained in accordance with the BCPS Records Retention policy.
Potential Risk(s):	When deposit records are not retained, there is a potential for: <ul style="list-style-type: none">a. increased processing errors.b. misstated financial reports.c. fraudulent activity that could result in misappropriation of assets and loss of student funds.d. theft of cash.
Management Action Plan:	The principal will ensure all deposit records are retained according to BCPS policy.
Target Date of Completion:	Immediately

Finding #7: SAF expenditure documentation was not adequate.

<p>Finding:</p>	<p>For 10 of 38 SAF expenditure transactions tested, the check voucher and supporting documentation were not available to indicate the approval for the purchase and to detail what was purchased.</p> <p>Additionally, for 4 of 28 SAF expenditure transactions that were available for review, the documentation provided to support the expenditure was not adequate. Emails, School Field Trip Data Form and a quote were provided instead of original, itemized receipts or invoices.</p>
<p>Corrective Action:</p>	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • all SAF expenditures are approved prior to purchase. • approval is indicated on a BCPS check voucher. • an original, itemized receipt or invoice is provided prior to the issuance of payment to the vendor.
<p>Potential Risk(s):</p>	<p>When pre-approval for expenditures is not obtained and expenditure documentation is not provided or retained, there is a potential that:</p> <ol style="list-style-type: none"> a. funds may not be available to cover the liability. b. the vendor assumes risk by providing goods/services without proper approvals. c. unapproved or fraudulent purchases could occur. d. payment to undetected fictitious vendors could occur. e. expenditures are unallowable or unreimbursable.
<p>Management Action Plan:</p>	<p>The principal will ensure that all SAF expenditures are pre-approved using check vouchers. In addition, the principal will ensure original itemized receipts and invoices are obtained prior to issuing payment.</p>
<p>Target Date of Completion:</p>	<p>Immediately</p>

Finding #8: SAF expenditures were for prohibited activities.

<p>Finding:</p>	<p>Six SAF expenditures that totaled \$1,199.25 were made for prohibited activities:</p> <ul style="list-style-type: none"> • 3 expenditures, that totaled \$800.00, were to individuals for contracted services, for Ballroom Dance Lessons and DJ Services. • 3 expenditures, that totaled \$399.25, were for food provided to the teachers as an appreciation gift.
<p>Corrective Action:</p>	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • school activity funds are not used to pay individuals directly for contracted services. • payments for contracted services to an individual are paid through the Office of Accounting so that the appropriate tax statements are issued. • the Office of Accounting is contacted immediately to determine if any documentation needs to be submitted to them for these payments. • all school activity expenditures contribute directly or indirectly to the educational program of the students.
<p>Potential Risk(s):</p>	<p>When SAF expenditures are for prohibited activities, there is a potential that:</p> <ol style="list-style-type: none"> a. BCPS will be in violation of the Internal Revenue Service 1099 reporting requirements. b. unapproved or fraudulent purchases could occur. c. expenditures are unallowable or unreimbursable. d. a loss of available SAF funds for other intended school priorities.
<p>Management Action Plan:</p>	<p>The principal will ensure that SAF will not be used to pay contractors directly. In addition, the principal will ensure that SAF will not be used to purchase food or noninstructional items that are non-business related.</p>
<p>Target Date of Completion:</p>	<p>Immediately</p>

Finding #9: SAF checks were signed by the administrative secretary on a non-urgent basis.

Finding:	Three of the 28 SAF checks reviewed were signed by the administrative secretary on a non-urgent basis, resulting in a lack of segregation of duties. Additionally, there was no documentation to support the need for the administrative secretary to sign the checks.
Corrective Action:	The principal and administrative secretary must ensure that: <ul style="list-style-type: none"> • the administrative secretary only signs checks when there is an urgent need to do so. • the urgent situation is documented in writing and maintained with the check voucher and corresponding documentation.
Potential Risk(s):	When the administrative secretary signs checks on a non-urgent basis, there is a potential for: <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
Management Action Plan:	The principal has removed the administrative secretary from the banking account as a signer.
Target Date of Completion:	Completed 8/2021

Finding #10: SAF checks were not voided properly or did not have the required documentation.

<p>Finding:</p>	<p>Three of the 8 voided checks in the audit period were not voided correctly. The signature section was not removed from the checks and the checks were not marked as void.</p> <p>Additionally, for 3 other voided checks in the audit period, the void check proof sheet from SFO was not available for review. Therefore, there is no documentation to determine the reason for the cancellation of the transaction.</p>
<p>Corrective Action:</p>	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • misprinted or unnecessary checks are properly voided. • the signature section is removed and "VOID" is written across the face of the check. • all voided checks are retained with the school's financial records. • all voided check transactions are reviewed and approved by the principal. • the void check proof sheet, used to document voided checks, is maintained with the voided check documentation.
<p>Potential Risk(s):</p>	<p>When misprinted or unnecessary checks are not rendered useless, there is a potential for:</p> <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
<p>Management Action Plan:</p>	<p>The principal will ensure that all voided checks will be done so according to BCPS policy, specifically, the signature lines will be removed from all voided checks.</p> <p>In addition, the principal will ensure that the reason for voiding checks will be in compliance with BCPS policy and procedures.</p> <p>The principal will ensure that all documentation for voided checks will be maintained in accordance with BCPS policy and procedures.</p>
<p>Target Date of Completion:</p>	<p>Immediately</p>

Finding #11: SAF transfer documentation was not retained.

<p>Finding:</p>	<p>Four of the 12 SAF transfer transactions were not supported with a journal voucher form to indicate the reason for the transfer and the principal's approval of the transfer.</p> <p>Additionally, one of the 8 journal voucher forms available for review was not signed by the principal to indicate approval of the transfer of school activity funds.</p>
<p>Corrective Action:</p>	<p>The principal and administrative secretary must ensure that:</p> <ul style="list-style-type: none"> • the principal reviews and approves all SAF transfers. • the journal voucher form, used to document the transfer of funds, is signed by the principal to indicate approval of the transfer. • the journal voucher form is retained in accordance with the BCPS Records Retention policy.
<p>Potential Risk(s):</p>	<p>When fund transfers are completed without approval or documentation, there is a potential for:</p> <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity that could result in misappropriation of assets and loss of student funds.
<p>Management Action Plan:</p>	<p>The principal will ensure that all SAF transfers are approved by the principal. Specifically, all journal vouchers will be completed including the principal's signature and all journal vouchers will be retained in accordance with BCPS records and retention policy.</p>
<p>Target Date of Completion:</p>	<p>Immediately</p>

Finding #12: Procurement card documentation was not retained, authorized or adequate.

<p>Finding:</p>	<p>Of the 27 monthly procurement card packets requested for review, seven were not available.</p> <p>Additionally, 4 of the 20 monthly procurement packets available for review were not signed by the principal to indicate her review and approval of the expenditures.</p> <p>Furthermore, for the 55 individual transactions reviewed, six transactions did not have adequate supporting documentation:</p> <ul style="list-style-type: none"> • For two transactions, there was no documentation available to support the purchase. • For three transactions, an email, conference summary or non-itemized receipt was provided instead of original, itemized receipts or invoices. • For the only overnight travel transaction, the documentation provided did not include an approved Overnight Travel form.
<p>Corrective Action:</p>	<p>The cardholder must ensure that:</p> <ul style="list-style-type: none"> • he/she completes and reconciles his/her procurement card packet each month. • the packet includes the Statement of Account Report, the Bank Memo Statement and itemized documentation for each purchase. • he/she prints and signs the Statement of Account Report to document his/her reconciliation of the purchases. <p>The principal must ensure that:</p> <ul style="list-style-type: none"> • cardholders submit a monthly procurement card packet. • the packet contains all required documents. • all purchases are appropriate • he/she signs the Statement of Account to document his/her approval of the purchases. • all overnight travel transactions are supported with the approved Overnight Travel form¹.
<p>Potential Risk(s):</p>	<p>When the use of a procurement card by employees is not managed and monitored in accordance with established procedures, there is a potential for:</p> <ol style="list-style-type: none"> a. increased processing errors. b. misstated financial reports. c. fraudulent activity that could result in misappropriation of assets and loss of funds.
<p>Management Action Plan:</p>	<p>The principal will ensure all card holders will submit a monthly procurement card packet and all monthly p-card packets will include all required documentation.</p>

¹ Most overnight travel is currently prohibited.

	<p>In addition, the principal will ensure all monthly statements will be signed by the principal.</p> <p>The principal will also ensure that all overnight travel transactions will be supported with required overnight travel forms.</p>
<p>Target Date of Completion:</p>	<p>Immediately</p>

Finding #13: Procurement card activity reports were not completed for months with \$0 activity.

Finding:	There were no signed Cardholder Activity Reports on file for 30 of the 35 procurement card periods where there were no purchase transactions in the period.
Corrective Action:	<p>The cardholder must ensure that:</p> <ul style="list-style-type: none"> • he/she prints and signs the Statement of Account for each billing cycle regardless of whether the card had activity. <p>The principal must ensure that:</p> <ul style="list-style-type: none"> • the cardholder remits a signed Statement of Account report each month for review and approval.
Potential Risk(s):	<p>When activity reports are not provided for all months, regardless of activity, there is a potential for:</p> <ol style="list-style-type: none"> a. misstated financial reports. b. fraudulent activity that could result in misappropriation of assets and loss of funds.
Management Action Plan:	The principal will ensure all P-card holders will print and sign the statement of account every month prior to her review and approval.
Target Date of Completion:	Immediately

Finding #14: Sales tax was paid for school-related procurement card purchases.

Finding:	For 3 of the 52 available procurement card transactions reviewed, sales tax that totaled \$28.11 was paid on expenditures related to the instructional programs or for operational purposes.
Corrective Action:	<p>The cardholder must ensure that:</p> <ul style="list-style-type: none"> • he/she informs the vendor that the purchase is for Baltimore County Public Schools and is exempt from sales and use tax. <p>The principal must ensure that:</p> <ul style="list-style-type: none"> • sales tax is not included in the transaction when he/she reviews and approves individual transactions online.
Potential Risk(s):	When sales tax is paid for school-related purchases, there is a potential for: <ol style="list-style-type: none"> a. misstated financial reports. b. fraudulent activity that could result in misappropriation of assets and loss of funds. c. a loss of available funds for other intended school priorities.
Management Action Plan:	The principal will ensure no sales tax will be paid using BCPS funds.
Target Date of Completion:	Immediately

EXHIBIT A

DOGWOOD ELEMENTARY SCHOOL REPORT DISTRIBUTION LIST

Title		Location
Principal		Dogwood Elementary
Superintendent		BCPS
Chief Academic Officer		Division of Curriculum & Instruction
Community Superintendent		West Zone
Executive Director, Elementary School Support		West Zone
Senior Executive Director		Administrative Services
Executive Director		Fiscal Services
Chief Auditor		Office of Internal Audit