



February 27, 2018

MEMORANDUM

To: Kelvin Moore, Instructional Director
Cluster 14

Jean Paul Cadet, Principal
Oxon Hill High School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for Period December 1, 2014 through October 31, 2017

An audit of the financial records of **Oxon Hill High School** was completed for the period December 1, 2014 through October 31, 2017. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan within **30** days, indicating steps that will be taken to ensure compliance with the Accounting Procedures Manual. Please note that you are required to provide your action plan using the attached Microsoft word template. Please send a PDF and word version of your action plan and any other correspondence to the Internal Audit Office, Attention: Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

Enc.

cc: Segun Eubanks, Ed. D, Board Chair
Kevin M. Maxwell, Ph. D, Chief Executive Officer of Schools
Carolyn Boston, Vice Chair, Board of Education
Edward Burroughs, Board Member, District 8
Erica Berry Wilson, Esq., Board Executive Director
Monique Whittington Davis, Ed. D, Deputy Superintendent
Helen Coley, Associate Superintendent, Area 2
John Pfister, Chief Financial Officer
J. Michael Dougherty, CPA, Esq., Director Financial Services
Lewis Robinson, Director, Employee Labor Relations
Alanna Cooper, Internal Auditor II

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Oxon Hill High School for the period December 1, 2014 through October 31, 2017. Oxon Hill High School's principal is responsible for the administration of 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 Governmental Accountability Office 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 Voided Checks,*
- *Financial Reporting,*
- *Fundraiser Forms,*
- *Restricted Account Deficit,*
- *Record Retention, and*
- *Management Oversight*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) Policies and Procedures and the requirements of the Accounting Procedures Manual for School Activity Funds (APM).

In our opinion, except for the deviations from the criteria described in the preceding paragraph, the SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2017.



Michele Winston, CPA,
Director Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) of Oxon Hill High School for the period December 1, 2014 through October 31, 2017. The audit was performed as part of the annual audit plan.

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.

Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in the accompanying transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

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 review of selected bank statements, financial reports, cancelled checks and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period December 1, 2014 through October 31, 2017. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2018.01: Mismanagement of Funds Received

The following exceptions pertaining to the management of funds received were identified:

- A. *Delinquent Deposits* - There were **64** instances where MTF amounts in excess of \$250.00 were not deposited on the day of collection in accordance with the APM. Funds collected that were as much as \$12,383.00 were held up to 73 days prior to deposit. *(This condition was also noted in the previous audit as of November 30, 2014.)*
- B. *Monetary Transmittal Forms Not Approved* – There were **3** instances where MTFs submitted were signed by staff but the bookkeeper’s signature was excluded.
- C. *Inadequate Documentation of Funds Received* - There were **30** instances where MTFs were accepted that were incomplete or inadequately documented. Some other significant exceptions included:
- School staff omitted the bookkeeping classification in section 1 and remittance data in section 2 of MTFs in certain instances.
 - Funds totaling \$9,614.00 were remitted for Student Government Association homecoming activities ticket sales. Substantiating details for these ticket sales were created when requested by Internal Audit reflecting that \$9,840.00 was actually collected for the homecoming dance. This resulted in a shortage of \$226.00. *(This condition was also noted in the previous audit as of November 30, 2014.)*
 - *A student chromebook investigation conducted during FY 2018 revealed missing funds totaling \$2,909.00 for chromebook activation fees collected during parent activation sessions in September 2017. Funds totaling approximately \$146,519.68 collected for chromebook activation fees and equipment repair fees from FY 2014 through FY 2017 remain unaccounted for. The school failed to maintain adequate records on funds received for*

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chromebooks. A separate investigation report issued on December 13, 2017 contains further details.

- D. ***Year-End Monetary Transmittal Form Envelopes*** - The year-end MTF submission process was not operating as required by procedures outlined in the APM. There were **33** instances where the pink and/or yellow MTF remittance copies were missing from staff members MTF envelopes. There were **11** instances where staff members did not remit year end MTF envelopes. ***(This condition was also noted in the previous audit as of November 30, 2014.)***
- E. ***Incomplete Monetary Transmittal Form Log*** - The MTF log was not maintained during the audit period. Sign out dates for the MTFs were not included on the MTF log. The log does not include fields noting the date of return and the MTF amounts as required by the APM.
- F. ***Drop Safe Log*** – School staff did not consistently complete the drop safe log when dropping funds in the safe.
- G. ***Improper Changes to Monetary Transmittal Forms*** - There were **18** instances where changes on MTFs were not initialed as required. ***(This condition was also noted in the previous audit as of November 30, 2014.)***
- H. ***Un-deposited Athletic Funds*** – Funds collected during an athletic event were comingled with funds advanced to the former athletic director for the change fund. Funds totaling \$250.00 were maintained as the change fund; however, the amount maintained was increased to \$645.74. The school was not aware of the reason for the increase or the source of additional funds; however, it appears that the funds totaling **\$395.74** from athletic events were not deposited as required. ***(This condition was also noted in the previous audit as of November 30, 2014.)***

The APM provides the following guidelines regarding administration of funds received:

- A. Recordkeeping personnel must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- B. Recordkeeping staff is required to review MTFs. The originating MTF copy and yellow MTF remittance must be approved as evidence of review.

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- C. Staff members collecting funds are required to complete MTFs entirely and submit to the bookkeeper along with funds remitted. The following information must be included, 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 collecting. Sections 1 and 2 of MTFs must be completed. The bookkeeper is prohibited from accepting MTFs where a pencil or white-out is used.
- D. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow MTF remittance copies in sealed envelopes (with their signature over the seal) to the designated administrator. Year-end MTF envelopes should be stored in a location inaccessible to the bookkeeper.
- E. The bookkeeper is responsible for accounting for all MTFs issued to the school on a MTF log. This log should include a numerical list of the MTFs, the name of requester and dates the forms were issued, the dates returned to the bookkeeper and the total amounts of the MTFs.
- F. Depository (drop) safes are required for every school. A log should be maintained where staff members record their names and the date of the 'drop.' The funds should be sealed in an envelope with the completed, signed MTF enclosed. On the following day, the staff member dropping off money should make sure the bookkeeper has a record of the deposit. Money should never be dropped without a MTF.
- G. Changes to MTFs are required to be initialed by the individual making changes.

Contributory factors in the mismanagement of funds received are as follows:

- A. The principal does not deposit funds dropped in the safe after the staff's initial deposit. Funds exceeding \$250.00 were dropped in the safe by staff after funds were deposited with the bank.
- B. The recordkeeping staff does not approve MTFs submitted that are inadequately documented or when sufficient support is not provided. MTFs are returned to the preparers for correction in these instances. Corrected and returned MTFs were inadvertently processed without the required signature and with incomplete sections and changes that were not initialed.
- C. The staff overseeing the ticket sales failed to use a ticketing process to track the number of attendees and confirm amounts remitted for homecoming events.

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- D. Staff were trained on proper MTF completion and year-end MTF envelope collection procedures but have not adhered to the requirement and were not held accountable for compliance.
- E. The recordkeeping staff was unaware of the required format for the MTF log. Staff members were not alerted when information was omitted from the MTF log and drop safe log to ensure both logs were complete.
- F. The school financial staff was unaware that amounts in excess of funds advanced for the game starter bank were being dropped due to failure to monitor the log. A school athletic staff member was temporarily assisting the school with this task in the absence of the athletic director and he was unaware of the amount of the game starter bank.

The audit trail for ensuring that all SAFs collected were processed in accordance with BOE policies was compromised. The potential for loss of assets or inaccuracies in amounts reported was increased as a result of inadequate internal controls surrounding the administration of funds received.

Recommendation: The following is recommended to properly manage funds received:

- A. The principal must implement internal controls that require staff to remit funds timely and allot sufficient time for making timely deposits. The principal should also consider establishing designated time periods for staff to remit funds for deposit.
- B. Staff must be required to prepare a MTF for all funds collected including those placed in the drop safe. Financial staff should promptly follow-up with staff when funds are found in the school safe without an accompanying MTF. Staff should be held accountable for compliance.
- C. Staff must be required to complete the MTF log identifying each MTF as it is signed out and returned. The drop safe log must be completed by all staff remitting funds into the safe. Financial staff should review the MTF log and drop safe log periodically for completeness.
- D. The principal should enforce proper training to school staff on requirements for proper completion and adequate supporting documentation for MTFs. Financial recordkeeping staff should closely review MTF packages to ensure accuracy and completeness prior to acceptance and approval. Staff should be held accountable for compliance.

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- E. The principal's designee must use the SFO "*Receiptee History*" report to be aware of the MTFs to be submitted by school staff. This report should be provided to the principal's designee for collection of MTF remittance envelopes. Envelopes returned should be checked against this report.

2018.02: Mismanagement of Disbursements

The audit revealed the following exceptions pertaining to the management of disbursements:

- A. ***Offsite Professional Development*** – A disbursement was made for \$8,308.00 to the Gaylord Hotel. Reportedly, the purpose was an offsite leadership professional development meeting held for Oxon Hill HS staff. Supporting documentation for this disbursement was not provided.
- B. ***Inadequate Documentation*** - There were **26** instances where expenditures reviewed did not have the appropriate approval documentation. Sales quotes, credit card slips and online shopping lists were provided as support. Student refunds did not include MTF copies as evidence funds were collected. *(This condition was also noted in the previous audit as of November 30, 2014.)*
- C. ***Inadequate Principal Approval*** – There were **72** instances where SFEFs reviewed were not adequately approved by the principal. During the audit period staff members made purchases prior to the principal's approval; also, approval dates were not always provided with the principal's signature. The financial staff listed the account name or "funds transfer" in lieu of the account balance on the funds available line. *(This condition was also noted in the previous audit as of November 30, 2014.)*
- D. ***Unapproved Vendors*** - There were **5** instances where reimbursements were made to staff for purchases made from vendors that were not approved by PGCPSS. *(This condition was also noted in the previous audit as of November 30, 2014.)*
- E. ***Delinquent Vendor Payments*** - There were **13** instances where checks were issued to vendors subsequent to the due date. Payments were made up to **5** months late. *(This condition was also noted in the previous audit as of November 30, 2014.)*
- F. ***Misclassified Expenditures*** – The audit revealed that during FY 2017, disbursements for food for staff totaling **\$1,007.60** were posted to the unrestricted professional development account instead of the principal sponsored activities fund account even though the PSA fund account had sufficient funds to cover the expenditure.

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The APM provides the following guidelines relative to the administration of cash disbursements:

- A. All checks must have itemized documentation attached to the SFEF that supports the amount of the check.
- B. The bookkeeper is required to determine if funds are available, initial, date and record the amount of funds available on the SFEF to provide information to facilitate the principal's approval. Expenditures of SAF are required to be supported by itemized receipts or invoices.
- C. Prior to ordering or purchasing goods or services, a SFEF must be completed, signed and dated (approved) by the principal. Payments should only be approved for purchases to BOE approved vendors. The school cannot be liable for expenditures incurred when non-BOE approved vendors are used.
- D. Invoices are required to be paid within 30 days of receipt or by the due date indicated on the invoice. The principal should review invoices and statements for past due amounts and ensure that payments are made timely.
- E. Discretionary expenditures incurred by the principal on behalf of school staff are grouped in the accounting category "Principal-Sponsored Activities." These activities must be of a professional nature that enhances staff members' job performance. Expenditures for authorized principal-sponsored activities are restricted to the funds available in the respective fund account.

Contributory factors in the mismanagement of disbursements are as follows:

- A. School staff submitted quotes and pricing details from webpages in lieu of receipts or invoices due to inadequate planning. Payments with inadequate documentation were processed by recordkeeping staff to avoid delays in vendor payments.
- B. School staff made purchases without obtaining the principal's pre-approval. School administration did not hold staff accountable for obtaining pre-approval. Some club sponsors were overwhelmed and did not submit invoices for payment on time.
- C. The recordkeeping staff was unaware that food for staff could not be covered with unrestricted funds. They were also unaware that approved vendors were required for staff reimbursements.

Inadequate documentation reduces assurance that purchases were made in accordance with BOE policy and procedures. The risk of insolvency and fraud is present when appropriate approval is not obtained prior to purchase. Using non-approved vendors can result in the conduct of business with vendors that have not been vetted properly to

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ensure appropriate product purchases. Untimely payment of invoices can result in assessed fees for payment of interest and penalties and may impact the Board's relationship with vendors. Misclassified transactions impact the accuracy of the financial records, reporting and the principal's ability to make informed decisions.

Recommendation: The principal must perform the following to improve the administration of disbursements:

- A. The principal should contact Gaylord Hotel to obtain itemized supporting documentation for \$8,308.00 expended. The instructional director should review and determine whether this expenditure was an appropriate use of student activity funds.
- B. The principal should ensure invoices are included as supporting documentation when reviewing SFEFs for approval. Financial recordkeeping staff should also determine that supporting documents are retained for disbursements made.
- C. The recordkeeping staff must include the available balance of impacted fund accounts subsequent to the transfer on the "funds available" line on the SFEF. The principal must ensure this section is completed to facilitate informed fiscal decisions.
- D. During the pre-approval process of the SFEF, verification should be performed to determine whether the vendor is approved in Oracle prior to processing the disbursement especially in instances where reimbursement is being requested.
- E. Funds totaling \$1,007.60 must be transferred from prior year carryover to the general restricted principal sponsored activities fund account to correct the posting of staff food purchases. The bookkeeper must contact the Accounting and Financial Reporting Office for assistance in posting this journal entry.

2018.03 Administration of Checks

The following exceptions relative to administration of voided checks were noted:

- A. ***Voided Check Proof Sheets Not Approved*** - There were **63** instances where voided checks proof sheets were not approved by the principal.
- B. ***Voided Checks Not Mutilated*** - There were **3** instances where the signature line was not removed from voided checks.

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- C. ***Voided Checks Not Entered*** - There were **3** instances where voided checks were not entered into the accounting system.
- D. ***Checks Duplicated*** - There were **8** instances where the bookkeeper used the same check number for different transactions. In all instances, the checks were voided and reissued.
- E. ***Reimbursement Option Incorrectly Used*** - There were **3** instances where refunds to students were identified as reimbursements in SFO.

The 2008 School Accounting Manual Section 4.5.3 on *Cash Disbursements, Voiding Checks*, provides the following guidelines regarding the administration of checks, “when voiding a check, the physical check must still be accounted for. The word “VOID” is required to be written across the face of the check. The signature portion of the check must be cut off and destroyed. The check must also be voided in the computer. A SFEF should also be completed and approved by the principal, noting the check was voided.”

According to the APM the recordkeeping staff is responsible for preparing and recording all financial transactions timely and accurately in the accounting system. Also, once a check number is voided in the accounting system that same check number should not be used to process a different transaction. All checks must be written to an Approved/Active vendor in SFO. The only exceptions are for staff reimbursements and parent refunds. For checks reimbursing staff, the vendor selected is required to be “REIMBURSEMENT”; for checks refunding a parent, the vendor is required to be “REFUND”. A one-time Vendor Request Form (for charities only) can be submitted to Accounting and Financial Reporting Office for approval. All one-time vendor accounts become inactive one week after approval. At no time should “REIMBURSEMENT” OR “REFUND”, be used to pay unapproved vendors in SFO.

Since the transition to SFO in January 2016, the recordkeeping staff was not clear on the appropriate process for administration of voided checks. This includes not being aware of which forms were required to be approved by the principal. Reportedly, failure to remove the signature line from voided checks was an oversight. Errors were made during check printing such as checks being printed on paper other than blank checks and check processed with incorrect descriptions, amounts and accounts. Physical checks were voided but were not entered in the financial system. The recordkeeping staff failed to advance to the next check number once a check was voided and when entering a new transaction and was unaware of the refund option in SFO.

The principal and recordkeeping staff did not follow the policies and procedures specified by the BOE regarding administration of checks. Inappropriate administration of checks

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exposes the school to fraud, waste and abuse of its resources. Failure to properly void checks could result in unauthorized check use and negotiation.

Recommendation: The Accounting and Financial Reporting Office should be contacted and the APM referenced in instances where there is uncertainty relative to the policies and procedures for administering voided checks.

The principal should hold financial recordkeeping staff accountable for compliance with check administration policies as described in the APM.

2018.04 Financial Reporting

The following exceptions relative to financial reporting were noted:

- A. ***Financial Reports Not Completed Timely*** - There were **15** instances during the audit period where monthly financial reports were not completed timely. In **4** of these instances, reports were completed approximately **2** months after the due date. *(This condition was also noted in the previous audit as of December 31, 2014.)*
- B. ***Insolvency Report Not Properly Completed*** - The current bookkeeper did not accurately complete the *Insolvency Report* during the audit period. Unpaid bills were consistently indicated as \$0, without preparation of the *Unpaid Bills Determination Spreadsheet*.
- C. ***Vending Commission Not Properly Posted*** - The audit revealed that faculty and student vending commission is being posted to vending sponsorship. Commission from machines located in the gym was incorrectly split between faculty and student.
- D. ***Inaccurate Disposition of Class of 2016 Residual Funds*** - The audit revealed that the Class of 2016 residual funds were not transferred to the respective restricted accounts and expended in accordance with requirement of the APM. The Class of 2016 had a remaining balance of \$18,345.95 as of June 30, 2016. These funds were transferred to Athletic Non Sport Specific Donation \$9,172.99 and to the Principal Sponsored Activities accounts \$9,172.96 in August 2016.

The APM provides the following guidance pertaining to SAF financial reporting:

- A. Section 5.1.2, *Monthly Reconciliation and Financial Reporting Procedures* states that the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal is required to forward

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the documents to the bookkeeper for reconciliation. The reconciliation should be completed by the bookkeeper within 7 days of receiving the statement from the bank. The monthly financial reporting process is required to be completed by the 15th day of each month and reports presented to the principal for review.

- B. Section 5.2, *Financial Reporting Requirements*, states that the Insolvency Report should be completed monthly and requires the bookkeeper to record data to calculate the school's solvency. The bookkeeper must manually calculate the value of unpaid bills that exist at the end of each reporting period for both restricted and unrestricted funds to complete the report.
- C. Section 7.3, *Class and Club Accounts*, states and Administrative Procedure No. 3450, *Class and Club Fund Terminations*, no class account can extend beyond the academic life of a senior class. As a senior class nears the end of the school year, it must plan, with approval of the Principal, for the final disposition of any residual class funds. The senior class planning and budget workbook referred to above includes a residual funds plan. Appropriate uses of residual funds include:
- unrestricted donation to the school or upcoming senior class
 - restricted donation to materials of instruction account
 - restricted donation for specific school improvement or equipment
 - reservation for a scholarship account
 - transfer to Principal-Sponsored Activities (PSA) account, up to a maximum of 25% of residual funds

According to the bookkeeper, she was advised by administration to ensure completion of other tasks that were priority over the completion of monthly financial reports. The bookkeeper was of the impression that since all bills were paid upon receipt of invoices, the *Unpaid Bills Determination Spreadsheet* was not required. The Class of 2016 prepared a donation letter requiring equal distribution of residual funds to athletic non-sport specific donation and principal sponsored activities fund accounts. This request was processed without regard for the guidelines provided in the APM.

Delinquent reporting and inaccurate transaction details impact the timeliness and reliability of information used in the decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted. Failure to complete the Unpaid Bills Determination Spreadsheet can affect the school's solvency calculation on a monthly basis. Additionally, the principal and bookkeeper may be less aware of open invoices which can lead to untimely payments and/or interest and penalties. The principal sponsored activities and athletics non sport specific restricted accounts were overstated due to failure to adhere to the APM requirement for disposition of residual funds.

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Recommendation: The principal and current bookkeeper must perform the following to improve financial reporting:

- A. The current bookkeeper should ensure that financial reports are completed by the 15th day of each month and that all transactions are accurately entered in the SFO financial system. The principal should hold the current bookkeeper accountable for timely report submission and ensure that the monthly financial reports are thoroughly reviewed as evidenced by his signature. The principal and bookkeeper should use the school's online banking option to more promptly initiate the reconciliation process. The Accounting and Financial Reporting Office should hold the principal and bookkeeper accountable for compliance.
- B. The principal and current bookkeeper should collaboratively review open invoices during the monthly financial reporting process to ensure the *Unpaid Bills Determination Spreadsheet* is completed.
- C. The principal and other school financial administrative staff must ensure senior class funds are transferred in accordance with the requirements of the APM. Transfers must be corrected to reflect the allocations as required by Board guidelines. School financial staff should follow the residual funds plan as outlined in the Senior Class Planning and Budget Workbook for disposition of residual funds.
- D. Funds that were inappropriately transferred must be reversed and expended outlined in section 7.3 of the APM, *Class and Club Accounts*.

2018.05 Fundraiser Forms

The Fundraiser Request and Authorization Form, Fundraiser Completion Form, and annual fundraiser reports summarizing the school's fundraising activities were not completed for fundraisers held during the audit period. (*This condition was also noted in the previous audit as of November 30, 2014.*)

Section 7.2 of the APM on Fundraisers and Administrative Procedure 5135.1, *Fund Raising* requires the completion of Fundraiser Request and Authorization Forms, the Fundraiser Completion Form and annual fundraiser reports summarizing the school's fundraising activities held.

Although training has taken place and reminders have been given, club sponsors have disregarded completion of the required forms for all fundraising activities held by student clubs/groups. Financial records are not complete and profit/loss ratio of fundraisers

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conducted could not be determined. The school is not in compliance with the APM and Administrative Procedure 5135.1 regarding administration of fundraising events.

Recommendation: The principal should review Administrative Procedure 5135.1 and Section 7.2 on of the APM to become aware of the requirements for administration of fundraisers. Fundraising sponsors should be held accountable for their role in request for approval and documentation of fundraisers via the Fundraiser Request and Authorization Forms and Fundraiser Completion Report.

2018.06 Restricted Account Deficit

The audit revealed that the general restricted yearbook account maintained a deficit of **(\$9,687.80)** as of October 31, 2017.

According to the APM, Section 5.2.1 *Financial Reporting Requirements Procedures*, the principal as the fiduciary agent for SAF, should ensure all accounts are solvent at all times.

The general restricted yearbook account historically maintained a deficit due to unsuccessful fundraising efforts and poor fiscal management by the former yearbook sponsor. Reportedly, the vendor invoice was covered with unrestricted funds; however, a restricted account deficit remains.

SAF is not used efficiently when overspending occurs in restricted accounts and funds are used for payment of fees due to poor fiscal management. Students are not receiving maximum benefit from funds that should be available to them.

Recommendation: The principal should require the yearbook sponsor to consider taking yearbook orders in advance. The yearbook sponsor must be more diligent in managing the yearbook account by implementing a budget as required by the APM and be held accountable for compliance. The Accounting and Financial Reporting Office should be contacted to assist with clearing deficit in the general restricted yearbook account.

2018.07 Record Retention

The following documents were not available for review upon request:

- School Funds Expenditure Forms (4);
- Voided Checks and/or Void Check Proof Sheets (7);
- cancelled checks (14); and
- Fund Transfer Journal Entry Proof Sheets (33)

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The APM Section 6.12, *Record Retention* states “All SAF records must 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, MTFs, SFEFs, cancelled checks and contracts.

Bank statements were submitted to the Accounting and Financial Reporting Office but the copies were not maintained within the school’s records. Although the Void Check Proof Sheets were printed, the requirement for principal approval was not known. Failure to retain voided checks and SFEFs was an oversight by the recordkeeping staff. The school created a *Transfer of School Funds* form similar to the *Fund Transfer Journal Entry Proof Sheet*; however, the bookkeeper did not prepare a form for each transfer. The audit trail is compromised when financial records are not maintained and the validity of transactions cannot be confirmed.

Recommendation: The principal should ensure that the APM is reviewed to bring about awareness and compliance with the record retention requirements pertaining to SAF. The principal should hold recordkeeping staff accountable for creation and retention of documents as required by the APM.

2018.08 Management Oversight

The principal did not administer proper oversight relative to periodic review of deposits and expenditures; financial reporting; and fiscal management. The principal failed to implement the action plan from the prior audit as evidenced by 6 repeated findings.

The principal is the fiduciary agent for the Student Activity Funds. In this role, the principal is responsible for ensuring that these funds are administered in accordance with Prince George’s County Public Schools policies and procedures and spent to provide the maximum benefit possible to the students. It is also important that the principals, who are ultimately responsible for these funds, be aware that the success of the internal control system rests largely with them.

Several BOE policies and procedures as established in the Accounting Procedures Manual were not followed. This resulted in internal controls being compromised. Students are not receiving the maximum possible benefit of the resources available to them.

Recommendation: The principal should take some time to read the APM and adopt a more hands-on approach with respect to administration of the school’s finances. The following 5 basic principles must be incorporated into the school’s policies and procedures, to achieve the internal control objectives:

- Clearly Defined Lines of Authority and Responsibility;

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- Segregation of Duties;
- Maintenance of Adequate Documentation and Records;
- Limited Access to Assets, and
- Independent Checks on Performance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Oxon Hill High School was issued for the period ending November 30, 2014. During that period, the current principal and bookkeeper were in their positions. The school had an acting principal during FY 2017. The following findings were noted as a result of that audit and the current status is indicated below:

- **Mismanagement of Funds Received-** Condition still exists. See **2018.01** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements-** Condition still exists. See **2018.02** regarding *Mismanagement of Disbursements*.
- **Contracts** – Control appears to be working.
- **Financial Reporting-** Condition still exists. See **2018.04** regarding *Financial Reporting*.
- **Record Retention** – Condition still exists. See **2018.08** regarding *Record Retention*.
- **Fundraiser Forms** – Condition still exists. See **2018.02** regarding *Fundraiser Forms*.
- **Principal Sponsored Activities Account Deficit**– Control appears to be working.
- **Inappropriate Use of Student Activity Funds** – Control appears to be working.
- **Untimely Remittance of Gate Receipts** – Control appears to be working.
- **Management Oversight** – Condition still exists. See **2018.08** regarding *Management Oversight*.

ACKNOWLEDGEMENT

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